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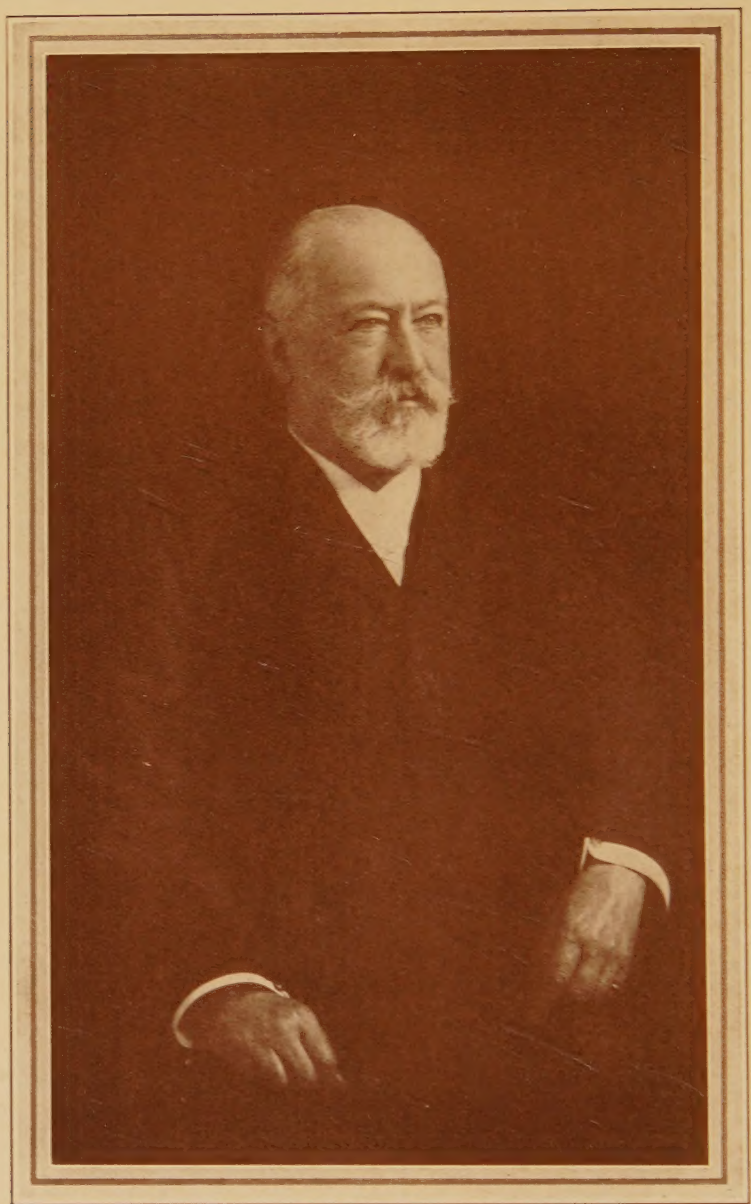
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VOLUME I



JACOB H. SCHIFF at the age of seventy.

JACOB H. SCHIFF
HIS LIFE AND LETTERS

BY
CYRUS ADLER

VOLUME I

Garden City, New York
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FOREWORD

To some, who knew my father and his intense dislike of personal publicity, it may seem strange that we should have arranged for the publication of this book. It is true, that he disapproved strongly of everything that savored of self-advertisement or of self-glorification, but his interests and activities were so varied, his sympathies were so broad and all embracing, that we feel that there should be a permanent record of his useful life. In presenting it to the public, we are not prompted by a spirit of pride or vanity in his achievements, but only by a desire to make available to others the inspiration, which those close to him have had from his conceptions of service and his ideals of conduct. Eulogy and interpretation have been avoided, so as to let the facts speak for themselves and to present in the simplest form the picture of a banker, successful in his chosen career, whose primary interest was not in money making, but in so using his means and opportunities, as to render constructive service to the country of his choice and to others, less fortunately situated than himself.

The preparation of this book has not been an easy task. We urged my father repeatedly to write an autobiography or at least to make a record in his own words of some of the outstanding events of his life, but because of his great modesty, he would not do so. Fortunately, he was a prolific letter-writer, and while the

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records of his early years are scarce, his copy books from 1887 have been preserved. These have been the main source of information, but to supplement them and to make the record comprehensive, we communicated in July, 1925, with those still living who had had close contact with him in one or the other of his activities; asking them to furnish their recollections in general and particularly any data in their possession about specific matters, as well as references to any outstanding occurrences indicative of his attitude towards any particular question. Their cöoperation has been of the greatest value, as their replies have uncovered and made available a number of letters, of which no copies had been preserved, and a considerable amount of other material. This foreword gives me the opportunity to express publicly our appreciation and thanks for the assistance thus given us by these friends and associates.

To Dr. Cyrus Adler, a life-long friend of my father's, we entrusted the preparation of the manuscript. It has been a laborious task, requiring the reading and appraisal of more than 80,000 letters and the examination of many records, both here and abroad. That this has been done with the most painstaking care and fidelity, this book itself bears evidence. It has been a real labor of love that he has performed, and I can not find words to express adequately our gratitude for what he has done and our appreciation of the sympathy and understanding, with which he has dealt with the material at his disposal.

My father had a favorite saying:—"On the mountain top, all paths unite." This was his philosophy of life, and we of his family believe that with his breadth of understanding, his many-sided sympathies and his

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love of humanity, he achieved this eminence. It is not for me, his son, to appraise his life, no matter how great my devotion to him and his memory, but if these pages prove of some value in guiding and inspiring others, our purpose in making available this record will have been served.

MORTIMER L. SCHIFF

PREFACE

This book is as nearly as possible an autobiography.

More than thirty years of close association with Jacob H. Schiff in many of his numerous activities, with the exception of those of a business nature, had left me with the conviction that here was a man whose life was worthy of record. I urged this view upon members of his family, at first without a favorable response, and certainly without the thought of undertaking the task myself.

When it was decided that the book should be written, the amount of material in the shape of letters was almost overwhelming. It has been my purpose, based upon a selection of these letters, to give an idea of the character and of the varied life of Mr. Schiff. I have endeavored, as far as possible, to have him speak for himself, by supplying only what was necessary to furnish a background or make the narrative reasonably continuous. The method has nothing of novelty, as letters of literary men and statesmen have often been published, but rarely has an intimate view thus been given of the work room of a banker and man of affairs.

There is another aspect I have had in mind in making the selection of letters. For fifty years Mr. Schiff lived a full and many-sided life, dealing with personages of the first rank—statesmen, financiers, philanthropists, educators, and scholars. I hope that the record presented may serve as a footnote to the history of the period in which he lived, for here and there will be found aspects of important matters hitherto unknown.

PREFACE

There are many to whom I am in debt for valued aid. Most of their names occur somewhere in the book. The family of Mr. Schiff did me the honor of permitting me to examine without reserve all of his private papers, and his son, Mr. Mortimer L. Schiff, has been a most helpful critic and has enabled me to make clear intricacies of banking which my own lack of knowledge would have prevented me from understanding.

I wish to express my deep obligation to Mr. Leon Medoff, whose assistance throughout the preparation of the manuscript and in the reading of the proof has been most valuable.

The letters and extracts are almost invariably in Mr. Schiff's exact words. I have permitted myself only so much of editing as would correct the ordinary slips in a typewritten letter. To correspondents in Germany and, not infrequently, to Sir Ernest Cassel he wrote in German; such letters have been faithfully translated.

This book has been written amidst other exacting labors, and I am conscious of its shortcomings, but I shall be content if I have succeeded in creating even in outline the picture of a friend—a man of nobility and power.

C. A.

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JACOB H. SCHIFF

HIS LIFE AND LETTERS

CHAPTER I

IN the Birth Register of the city of Frankfort-on-Main, under the year 1847, there is an entry which reads:

SCHIFF, Moses, Israelitish citizen and merchant of this city, whose wife Clara, née Niederhofheim, gave birth on Sunday morning, January 10, at 5 o'clock, to a legitimate son

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This event occurred in the house now numbered 39, in the Schnurgasse, which at that time bore the number L-80.

Into Frankfort there came, about the middle of the thirteenth century—later than into most German cities—a Jewish settlement. By the end of the fifteenth century, Frankfort had become the seat of the leading Jewish community of the Empire, and its Judengasse one of the best known Jewries of Europe. The Jews were restricted in the number of houses that they might occupy, and to increase the space available for the crowded Jewish population, without breaking the law, a house would be built under a single roof, with partitions in-

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side and two entrances, so that a number of families might occupy it.

The old Judengasse has been entirely reconstructed, and the street, laid out in modern fashion, is called the Börnestrasse. Of the old houses, the only one remaining is that which is now numbered 26 (formerly 148), and known as the Rothschild House, having been turned into a private museum. Originally, however, it bore a green shield, and not a red one, as did the house which the Rothschilds inhabited through the seventeenth century, and from which they derived their surname. This House of the Green Shield, was occupied, from 1690 on, by the Schiffs, who derived their surname from still another house, that of the "Ship," which they had occupied for something like a century before.

In 1765, David Tevele Schiff was called to London, as Rabbi of the Great Synagogue, but he apparently retained ownership in his share of the house until 1784, when he sold it to Meyer Amschel Rothschild, the highest bidder. Toward the end of the next year, Rothschild bought "the other half of the front House of the Green Shield, from Tevele's brother, Rabbi Meir Solomon Schiff, and the latter's wife, Mate."¹ Meyer Amschel Rothschild's descendants remained in the house until recent years. It is interesting that these families, which produced so many men important in the world of finance, but not strangers to science and learning, should

¹ The legal documents regarding these sales are reproduced by A. Freimann, in his *Stammtafeln der Freiberrlichen Familie von Rothschild*, Frankfurt, privately printed, 1906, pp. 65-68; 70-72. See also C. Duschinsky, *The Rabbinate of the Great Synagogue, London, from 1756-1842*, pp. 79 ff.; and Alexander Dietz, *Stammbuch der Frankfurter Juden*, pp. 257-260 and 470.

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have occupied the same house for a long period, even though they did not dwell under the same roof simultaneously for any length of time. To this day, the ship and the shield, carved in stone, appear over the respective entrances.

The name of the Schiff family is recorded among the householders in published lists of the Jews of Frankfort issued as early as 1608. Joseph Jacobs, who prepared the pedigree of the family for the *Jewish Encyclopedia*, gives the first Schiff recorded as Jacob Kohen Zedek Schiff, born about 1370—probably the earliest date to which any contemporary Jewish family can be definitely traced.

Among the lineal descendants of this first ancestor were a large number of rabbis, a few scientific men, and some merchants, who frequently held communal office. Several of the rabbis were scholars of distinction—probably the most important being Meir ben Jacob (also called Maharam) Schiff, of Fulda (1608–1644), who wrote a commentary upon the Talmud, published nearly a century later, which is used to this day by students of the Talmud, being printed in the standard editions.

Jacob Schiff's father, a man of high sense of duty, exact and stern, was rigorously devoted to religious observances, and demanded a similar devotion on the part of his children. The mother was a woman of sweet and conciliatory nature.

The boy was sent to the school of the Jewish Religious Society (Israelitische Religionsgesellschaft), which was founded in 1853 and represented a breaking away from the school of the Jewish Community (Israelitische Gemeinde), known as the Philanthropin. The Philanthropin was founded in 1804, and Jacob had at-

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tended it for a short time before the new school was established by Samson Raphael Hirsch, a powerful personality, who, dissatisfied with the compromising tendencies of some of the older Jewish communities of Germany in permitting changes in ritual and practice, founded a movement intended to combine a high degree of modern secular learning with the most rigid observance of the traditional practices of the Jewish faith.

This school the boy attended until he was fourteen years old. The studies he followed are not definitely known, but unquestionably they included, besides the customary elements, with maybe a special emphasis on German literature, a very fair knowledge of the Hebrew language, the Bible, and of the principles of his faith. It is not unlikely that a little French and English were also included. At all events, he was so well grounded as a boy that he was able in after life, by reading, by travel, and by mingling with the world, to acquire a broad culture. If tradition may be credited, he was not an ardent pupil, though, in 1859, he took the part of Wallenstein at a performance of the play given in connection with the Schiller Centenary. He was rather inclined to business, to which he must have been apprenticed after leaving school, for when at the age of eighteen he considered going to America, he addressed a letter to R. L. Strauss of St. Louis, requesting advice with regard to a position and giving an account of his business experience:

Frankfort, June 12, 1865.

With my father's approval, I beg to address a few words to you, which I venture to hope you will not consider unfavorably, as I know of your friendship for him. As my father told you some time ago, I have a strong



In Frankfort, at the age of fifteen, about
the time he left school.



Another photograph from Frankfort,
probably a year or two later.

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desire to go to the United States, but before taking such a step I should like to find a permanent position in one of the large cities. I therefore take the liberty of asking whether it would be possible for you to procure such a position for me.

For this purpose I give you the following brief description of my previous activity: I spent the years of my apprenticeship in one of the best mercantile concerns in Frankfort, and then entered the banking business of my brother-in-law with which I am still connected. I am therefore able to accomplish something in either of these fields.

I know that my greatest difficulty will arise in connection with the Sabbath, but perhaps you will be able to procure a position which will leave me free on that day, because I am inclined by principle to devout religious observance.

I await a reply from you at your earliest convenience, as I am at the age when I must make my decision for the future. Please accept my best thanks in advance for your kindness, and believe me,

Yours, etc.,

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Apparently the letter led to nothing, but he was determined to go, position or no position. Although he had written to St. Louis with his father's approval, yet when the actual time came for his departure it was hard for the father to give his final consent. At the last moment the boy had a difficult struggle with himself to decide whether he should leave or not, for even when the carriage was standing at the door his father hesitated, and Jacob would not leave without his father's blessing. It was only the combined pleas of the entire family that finally overcame his father's objections.

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At that time the journey to New York took about four weeks, and he must have left Germany in the beginning of July. His first letter from New York which has been preserved was written the day after his arrival:

August 7, 1865.

DEAR UNCLE:

I arrived in New York safely yesterday after a quiet and pleasant voyage, and hasten to inform you of my arrival. Philipp will probably tell you about the details of my voyage, and I simply want to thank you now for your good recommendation. Messrs. Marcuse & Baltzer have received me very kindly, and promised to help me. I hope soon to get a position, with the help of these gentlemen, as I am very tired of being idle.

When you receive these lines you will already have been back from your trip for some time. I hope you have enjoyed it very much. It will give me great pleasure if you will write me often, for you may imagine that letters from home will always make me feel happy. Please convey my best greetings to your wife and children, and tell Heinrich that I shall send him some rare stamps if he will be a very good boy.

I must close for to-day, with fondest regards.

At this time, in the summer of 1865, there lived in New York William B. Bonn, of Frankfort, subsequently a member of the firm of Speyer & Co. A friend had sent him a letter, saying that a boy by the name of Schiff would be arriving in New York on his first voyage, and requesting him to look after the boy. They were not known to each other, but remembering the loneliness of the newcomer, Bonn made a point of meeting young Schiff's boat. He saw him, late in the evening, to a

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small hotel, where he had reserved a room for him, and wanted to leave so that Schiff might rest. But Schiff, who was visibly grateful for his kindness, urged him to sit up with him for a bit and to talk of the "new land and the old place." So Bonn went up to his room and sat with him for a while. Each time that he got up to go, Schiff urged him to stay a little longer, until finally the entire night had passed. This act of kindly understanding on the part of the older man was the beginning of a lifelong friendship.

The letters of recommendation which Schiff brought with him were not of immediate avail, but he soon secured employment as a clerk with the brokerage firm of Frank & Gans. At this time, when Schiff was but nineteen years old, Adolf Gans recognized his financial ability. He was energetic, he sought business, and he secured quite a volume of transactions in United States Government bonds.

Toward the end of 1866 he entered into a partnership agreement with Henry Budge, now of Hamburg, but then living in New York and later a member of the firm of Hallgarten & Co., and with Leo Lehmann, who was then in Europe, but who upon the urgent advice of William Bonn, came back to America and joined the new firm. On January 1, 1867, when Jacob was not yet twenty years old, the brokerage business of Budge, Schiff & Co. was established. According to Budge, Schiff displayed clear-headedness and vigor. He was successful from the very first day and carried on considerable business. In 1872, while Budge was in Europe, his father died, and he decided, at the request of his mother, to remain in Europe, informing his partners,

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Schiff and Lehmann, of his decision to leave the firm; which was thereupon dissolved toward the end of that year.

Schiff had meanwhile indicated his intention to settle in America by becoming an American citizen. He was naturalized in the Court of Common Pleas for the city and county of New York on September 8, 1870, and became a member of the Chamber of Commerce of the State of New York in 1872. Upon the dissolution of Budge, Schiff & Co., he decided to return to Europe for a visit, although he came back to America for a while to assist in winding up the affairs of the brokerage firm. At that time, Moritz Warburg, of the firm of M. M. Warburg & Co., in Hamburg, sought a representative for the London & Hanseatic Bank of London (now the London Merchant Bank). The London institution was founded by the Commerz- & Disconto-Bank of Hamburg and other friends, several of its directors being Hamburg people, and did a large acceptance business for Hamburg firms. As it was desired to have its representation in the hands of a single person, Warburg, early in 1873, took the opportunity to offer Schiff a position which they entitled *Gerant* to the Bank's committee in Hamburg. Schiff's appointment is recorded in a circular letter of the Bank, dated May 1, 1873.

The connection did not last long, as Schiff's father died and he decided to leave Hamburg and go to Frankfort to be with his mother. His resignation is recorded in the minutes of the Board for September 4, 1873. He remained in Frankfort about a year, when Abraham Kuhn, senior partner of Kuhn, Loeb & Co., who was then on a visit to Frankfort, made a proposal to him to come to New York and enter the firm. It was very

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difficult for him to make up his mind, because he did not wish to leave his widowed mother. But she was unselfish and, realizing the restlessness of the boy, advised him to return to the United States, saying: "You are made for America." So he went back to New York, entering the firm of Kuhn, Loeb & Co. on January 1, 1875.

Two years before, during a previous stay in New York, he had met Therese, the eldest daughter of Solomon Loeb, though he saw her at that time on but one occasion. After he entered the firm they became better acquainted, and on May 6, 1875, they were married. It was a union of unalloyed happiness. He might be ever so engrossed in work or in thought; the mere appearance of his wife in the room at once made a change in his manner and outlook. His entire life was one of devotion to her and intimate companionship. In every way in his power he ministered to her comfort, and tried to ward off from her as many of the difficulties and vexations of life as possible through human forethought.

His two children, Frieda, the elder—now Mrs. Felix M. Warburg—and Mortimer, were the objects of his constant thought. His daughter's health, happiness, and education were always in his mind; he watched over her with the greatest solicitude, and as she grew, he recognized a likeness between her and himself, both intellectual and temperamental. Not infrequently the child would express opinions during the day which would be identical with those of her father when he came home in the evening.

His son held the place in his thoughts and affection which would be granted to an only son in any family, but he watched him none the less with a critical eye. When at the age of thirteen, while on a fishing

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trip in the Adirondacks, the boy performed the feat of catching a salmon trout weighing twenty-three pounds, the information was considered so important that it was promptly despatched to Schiff's friend Cassel in London. The courses that the boy took at college, the languages that he studied, the steps that were taken to train him for his business career were all subject to discussion with his business associates. One of these, James J. Hill, took the boy into his office and gave him an opportunity to see how a great railroad was managed. Later, he was sent to England and was placed for a time with Cassel, where he had the advantage of the guidance of that distinguished financier. To all of his older friends Schiff would, in the course of his letters, report upon the development of his son as a business man; he expressed the hope that he would "rank with the good and solid men in his generation."

The pages that follow will indicate that Schiff possessed a wide range of interests. His career as a banker forms the first section of this book, but it would give an incorrect impression if the implication were allowed to stand that this order is in any way chronological. While still a young man actively engaged in exacting business, and while essentially devoted to his own home and to the rearing of his children, he evinced an interest in a variety of public affairs which became at least as important to him as his business career. He did not wait until he had amassed great wealth or arrived at middle age before devoting himself to public work.

His participation in active charitable efforts in New York is known to have been coincident with the beginnings of his membership in Kuhn, Loeb & Co., and it is

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likely that he recognized a responsibility to communal needs even as a youth, when he was a partner in Budge, Schiff & Co., though there is no certain record of this. In 1878, he acted as treasurer of an American committee which raised funds for the relief of the Jews in the Ottoman Empire at the time of the Russo-Turkish War. In 1882, at the age of thirty-five, he was sufficiently well known in New York, and sufficiently willing to give up his time, to be appointed a Commissioner of the Board of Education. By the end of that decade, when his existing letters first begin to present anything like a reflection of his daily routine, he is found actively interested in a wide variety of enterprises: hospitals, libraries, colleges, museums, political and social reforms.

In 1875, then, at the age of twenty-eight, with seven years of American experience and a European training, filled with energy, and possessed of an acute mind, he threw himself energetically into the business of Kuhn, Loeb & Co.

This firm was founded by Abraham Kuhn and Solomon Loeb. They had formed a partnership in Lafayette, Ind., about 1850 and later moved to Cincinnati, where they were successful with a general merchandise business for many years, and in connection therewith extended considerable merchandise credits. They retired from business in 1865 and moved to New York, intending to lead lives of leisure. When the urge to resume business activities became too strong to resist, their thoughts naturally turned to commercial banking, in which they had long experience, and the banking firm was established at New York on February 1, 1867. Soon, how-

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ever, they decided to pay more attention to dealing in securities, and gradually established a market for American Government obligations and railroad bonds. By the time Schiff entered the firm their dealings were considerable, although they were still overshadowed by some of the older banking houses of New York.

Exactly what part Schiff played in the rapid rise of the firm is not clear. His own private letter-books prior to 1887 have disappeared, and the twelve years between 1875 and 1887 cannot be described with the same assurance as can the later period. Indeed, for the years preceding 1880 there is practically no record of any kind. Some light is shed on the early period by his correspondence with Ernest Cassel, of London. About fifteen hundred letters from Schiff to Cassel, dating from 1880, have been preserved, and even the first of these give some indication of the unique place which Cassel held in the circle of those with whom Schiff and his firm were doing business.

Edouard Noetzlin, the honorary president of the Banque de Paris et des Pays Bas, remembers an accidental occurrence which had considerable importance for Schiff's later financial operations. There had been formed in Europe, through the Bischoffsheims of Paris and the Goldsmids of London, a syndicate with a capital of about \$12,000,000, for the purpose of making investments in America. As a result of the financial crash of 1873, income from some of these securities stopped, and the syndicate decided to send Noetzlin over to look into matters personally. Upon Noetzlin's second voyage to America, his friend Cassel suggested that he look up Jacob Schiff, a rising young banker. This Noetzlin did,

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but their early relations were purely personal. While Noetzlin was waiting around for the conduct of law-suits, and in general for the alteration of affairs, Schiff suggested to him that Mexico might be fruitful ground for investments and advised him to go there. Noetzlin did so, and on one of his visits to Mexico organized the National Bank there.

Another European connection of Kuhn, Loeb & Co. with English, and more especially with Scottish, investors was made in 1875 between Schiff and Robert Fleming, now of London, where he is still active in financial affairs. In that year a considerable estate in Dundee was turned over to a bank for investment. Interest rates were of course higher in the New World than in Great Britain, and Fleming was sent to America to make investments in American railway securities. He heard of Schiff as one of the energetic young men in the banking business, and sought him out. On his return to Scotland Fleming organized in Dundee the American Scottish Investment Company. In subsequent years he transferred his activities to London, where he engaged extensively in securing American railway investments for British capital. Business and personal relations between the two men were very close, and they saw each other often, as Fleming made some eighty-two trips to America, while Schiff frequently went to Europe.

In spite of the sparse material, it is evident here and there that even at a very early period, although the junior member, Schiff was speaking for his firm. Certainly by 1882 Cassel looked to Schiff for advice as to American conditions, and was writing ordinarily not to the older members of the house, but to the youngest. Schiff's

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definiteness in business statement, broad outlook, and desire for active London connections are shown by a letter to Cassel, May 28, 1883:

For many reasons we are seeking another brokerage connection in London, and while we are daily receiving many offers, our transactions require brokers specially qualified to form a desirable connection for us. It is after all no great feat to execute orders promptly on the Stock Exchange. What we have to stress especially is that our brokers shall always be on the alert, understand the American market well (which can easily be learned with a little practice), and call our attention to possible transactions in London. Their responsibility and credit must be beyond question, so that we can entrust them with large amounts of money; and they must be able to discount our remittances easily, and get renewals for us at the most favorable money rates.

In the year 1885, Solomon Loeb, the surviving member of the original partnership, virtually retired, leaving Schiff, at thirty-eight, the undisputed head of the firm.

CHAPTER II

THE growth of the firm under Schiff's leadership continued apace, although it was not until near the end of the nineteenth century that they attained their full measure of prestige, after the successful reorganization of the Union Pacific Railroad Co.

On February 7, 1893, he wrote to Cassel about their removal from the office at 30 Nassau Street:

We have bought several old buildings on Pine Street, near the Sub-Treasury, which we are going to tear down, to erect a new building for ourselves, which we expect to occupy in May, 1894. We hope to make it as pleasant for you in the new building as in the old.

The building at 27 Pine Street was considered commodious when it was built. Incidentally, it was the first office of a private banking house in New York which possessed its own system of vaults. But the space sufficed for only a short time; and in the spring of 1902 a new plot at the corner of Pine and William Streets was purchased and a twenty-story building erected, as he wrote, to meet "our expansion of recent years, and at the urgent request of our younger partners, who particularly suffer from the limitations of space." The present offices of the firm were opened in May, 1903.

So far as the active direction of the firm and its policies were concerned, from the time of Loeb's retirement, Schiff's main help was from one partner, Abraham Wolff, who entered the firm the same year as Schiff.

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As he approached the age of fifty, work continued to accumulate, both in business and in his numerous outside civic and philanthropic interests, which left him very little opportunity for rest and relaxation. He was seeking another responsible associate for the firm as early as 1891, when the only other active partner, Lewis S. Wolff, had retired. In 1894, James Loeb, son of the founder, and Louis A. Heinsheimer, a nephew of Solomon Loeb and for a number of years connected with the firm, were admitted as partners. They were followed in 1897 by Felix M. Warburg, who in 1895 had married Schiff's daughter, and by Otto H. Kahn, who in 1896 had married the older daughter of Abraham Wolff. Felix Warburg was a son of Moritz Warburg of Hamburg, and came of a family which has continuously headed the oldest private banking firm in Europe, with traditions and connections that served to strengthen the relations already existing between Kuhn, Loeb & Co. and financial circles in Germany. Otto Kahn also came of an old German banking family, and had the advantage of extensive banking experience in England, Germany, and the United States before he entered the firm.

Naturally, Schiff's great hopes for the future of the firm were centered in his only son, Mortimer L. Schiff. When his son was but nineteen years old he wrote to Cassel:

As soon as Morti is a few years older I hope to be able to retire from active work. . . . He is fortunately developing a keen understanding and showing great interest in his training.

And the next year:

I am a little differently situated from you. I have ob-

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ligations toward my partners as well as toward the reputation of my firm. . . . I also owe it to Morti to keep the name of the firm high until he can take over the leadership. I do not trouble myself much any more about the daily routine, and I must say that the younger partners, Heinsheimer, Kahn, Felix Warburg, and James Loeb take great pains to relieve me of details.

On January 1, 1900, Mortimer L. Schiff became a member of the firm, and Schiff thus had the satisfaction of having his only son closely associated with him—an association which lasted uninterruptedly until the end of his life.

While Loeb had retired from active work at a comparatively early age, he did continue to help the other partners with advice almost until the time of his death in 1903. But Schiff's chief associate during the early period was Abraham Wolff. The two men worked side by side for over a quarter of a century, until Wolff's sudden death on October 1, 1900. His appreciation of Wolff's work and personality is expressed to James Stillman, head of the National City Bank:

Oct. 7, 1900.

MY DEAR MR. STILLMAN:

Among the large number of expressions I have received, full of sympathy in the great loss I have sustained, I do not know that any have so touched me as the words you utter in your sympathetic communication, sent me on last Friday.

No one can understand how much I have lost through the sudden demise of my lamented friend and partner, with whom, during an association of almost twenty-six years, I never had a difference, never exchanged an unkind word, and the generosity of whose nature I had opportunity to admire each and every day we were

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together. It is no mean inheritance Mr. Wolff has left me, and I truly feel that I am myself a better man for the impress he has made upon me.

That I feel sad and lonely because Mr. Wolff is no more is but natural, but it would not be in his spirit and would be honoring his memory little, if I did not make the effort to maintain what together we have built, and in which of late, more than ever, he took so great a pride. My younger partners are all earnest in their desire to help in filling the void, and I believe, if not entirely, in part and in time they will succeed.

I cannot close these lines without saying how much admiration Mr. Wolff had for you, and how proud he was at all times of the fact that it was he who, in the early days of your presidency of the City Bank, prognosticated the great influence you were to exert upon financial affairs; and the closer and pleasant relations which it has since become our good fortune to establish with you gave him particular satisfaction. These it is my earnest hope will long be continued, and again assuring you of my deep appreciation of the friendship and sympathy you have shown me, I am,

Yours sincerely,
JACOB H. SCHIFF.

And to Cassel:

You have already been informed by cable that our faithful partner, Mr. Wolff, died suddenly on October 1st of heart disease. At noon-time the poor man had been present at a luncheon which I gave for Lord Revelstoke, to a number of financial and railroad people. He was very happy and left at 4 o'clock to go to his children in the country. At 10 o'clock in the evening we received the sad news, that he had been prostrated, without warning, and had died at once. It is true that it is an easy death, for him who dies that way, but for one who has worked

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with him for twenty-six years and has been a close friend of his, it is hard to get over.

In 1902 Paul M. Warburg, who had been a partner of M. M. Warburg & Co., transferred his residence to New York and became a member of the firm, taking the place of James Loeb, who retired from active business.

As time went on work increased instead of falling off, and Schiff never attained the leisure which he would have liked. His nature was such that he could not leave everything to others, no matter how much he trusted them. When he was away from New York, even on so-called vacations, he regularly remained in communication with his office and with the other partners. A notable instance is the case of the first loan to Japan, in 1904, for which he personally made the arrangements in London, where he happened to be at the time. On the other hand, he was more considerate of his partners than of himself, and when one of the others was away he would write him fully as to what was going on—usually taking pains to assure him that the work in the office was quite within control of the partners present, and that he must continue to enjoy his vacation to the utmost.

Certain duties he turned over to the younger men, and whatever he could do in this direction afforded him great satisfaction, not only because it meant less work, but because it indicated that the work could some day be carried on without him. While he was visiting Japan in 1906, the firm arranged for the placing in Paris of an issue of bonds of the Pennsylvania Railroad Co. Upon his return in June, he wrote to Paul Warburg, who was on a visit to Europe:

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I am now sitting at my desk once more, and Japan and Korea have returned to the realm of geography. But it was very beautiful to have been there, and the trip has doubtless broadened our field of vision greatly. I have found business matters in satisfactory shape so far as Kuhn, Loeb & Co. are concerned. I have been saying to-day, now that the Pennsylvania loan in Paris has been definitely arranged, that what pleases me most is, in the first place, that the transaction was made during my absence, because it gives me the feeling that we can negotiate large transactions . . . when I am not here, and, in the second place, that it was you who took care of this delicate and difficult matter, because it will give you the feeling that you are really one of the four wheels which make the wagon go.

The sudden death of his younger partner, Louis Heinsheimer, on January 1, 1909, was another blow. He wrote to Cassel on January 7th:

As late as Monday of last week, Heinsheimer spent the whole day at the office, where I said good-by to him at four o'clock. The same evening I got a telephone call from his physician saying he had taken him to the hospital for an immediate operation for appendicitis. I saw him just before the operation and found him quite cheerful and full of courage. The operation itself revealed a very unsatisfactory situation, but even then the physicians thought, during the first two or three days, that they could save him. I saw him two hours before he died; he was in full possession of his faculties and very confident, although the physician had told me several hours before that he would not last through the day, which of course, he did not know.

I have had Heinsheimer at my side every day for a third of a century, first as an office boy, then a clerk, later as a power of attorney, and for the last fifteen years

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as a partner. Never have I found a man who was more unselfish and more ready to please everyone; in addition, he had a very keen mind and sound judgment, and as a worker was indefatigable.

In January, 1912, Jerome J. Hanauer was admitted to the firm. Schiff was especially pleased because Hanauer, like Heinsheimer, had been trained in the office, as he wrote to President Charles W. Eliot:

We make it, as far as possible, a rule to educate the members of our staff from the lowest rung of the ladder, taking them generally as boys and seeking to instill, not alone knowledge of methods, but also a strong *esprit de corps*; thus, one of the men we took as a boy, something like a quarter of a century ago, rose some years ago to a partnership in the firm.

When Paul Warburg was nominated as a member of the Federal Reserve Board, he withdrew from the firm. Schiff felt that he could only approve his brother-in-law's decision, and indeed that the nomination was in a way a tribute to the firm. Nevertheless, it was not pleasant to contemplate the separation. To Doctor Eliot he wrote, on May 7, 1914:

It is not only a great sacrifice for him and his wife, but is also a great deprivation to our firm and family, to have Paul Warburg move to Washington, but when this offer came to him from President Wilson, neither he nor any of us for a moment felt that he could do anything but accept.

There are important differences between a bank occupying itself primarily with the taking of deposits and the making of commercial loans and a banking institu-

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tion or firm specializing in investment securities. In some instances, both functions are combined in one institution, but until comparatively recent times, and particularly during the earlier years of Schiff's career, it was the private banker or banking house that undertook the financing of government and corporate needs through the sale of bonds and shares of stock to the public. This was the type of business in which Schiff and his firm, Kuhn, Loeb & Co., primarily engaged, mobilizing accumulated capital in behalf of constructive enterprise.

The banker is not in himself an unlimited reservoir of capital; like any other merchant, he buys for resale, and it is only by keeping his own resources liquid that he can continue to finance the needs of his clients. It is the responsibility of the issuing banker to determine, first, whether an issue of securities should be offered to the public, and second, the price which the public should be asked to pay, in fairness both to the borrowing government or corporation and to the investor. Upon the manner in which he does this depends the confidence in his judgment and his investment following. The banker jealous of his reputation and prestige, not only must refuse accommodation to his customers if their requirements are for unsound purposes, but must protect them by seeing to it that their legitimate requirements are supplied on fair terms and conditions. It was this sense of two-fold responsibility, to do full justice to both the issuer and the buyer of securities, that governed Schiff's business career.

When a government or a corporation selected Kuhn, Loeb & Co. as its bankers, Schiff considered that it was his duty not only to raise money for it, when needed, on the most advantageous terms, and to give its officials

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the best advice at his command as to the conduct of its financial projects—that was all a matter of course. It was equally important to see to it, if a time should come—and in his day such times came more frequently than now—when for one reason or another funds were needed which investors could not or would not supply, that his banking house and, if necessary, its friends should provide for these requirements. That meant, of course, keeping the resources of the firm liquid, so as to be able to render this service in times of stress, but it also involved, as a result, declining promising and tempting opportunities which arose particularly in times of crisis. Schiff felt very strongly on this point, as is illustrated by a letter, written in January, 1898, to Bishop H. C. Potter:

My own experience in what is generally termed "Wall Street" covers a period of more than thirty years. During this long range of time I have seen many firms, who thirty and twenty years ago occupied the front rank, recede to positions of comparative unimportance, and I have seen other firms, who two and three decades ago were quite unimportant, come to the front and become leaders in domestic and international finance. . . . The reason is to be sought in the fact that they have been *more honest* than those who, thirty and twenty years ago, were among the leading banking firms. Not more honest, as construed in the literal sense of the word, but honest in their respect for the moral obligation assumed toward those who entrusted their financial affairs to them, be it in investing in the securities of corporate enterprises which these bankers brought before the public, or otherwise; *more honest* in keeping their own capital from becoming immobile, so that their credit and prestige should not be called into question during times of financial peril and uncer-

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tainty; *more honest* in the ways which, not taking alone into account the momentary pecuniary profit, are certain, in the long run, to determine position, credit, and prestige.

Since an investment banker's transactions are ordinarily very large, and irregular as to frequency, it follows that he usually has greater or lesser sums, not in actual use, but which, nevertheless, he cannot afford to keep idle. Schiff, like his fellow bankers, would naturally lend out such funds to suitable borrowers, but first and last in his mind was the thought that the loan must be at once secure and suitable for ready realization. Thus he writes, April 24, 1903, to Cassel:

You assume quite correctly that my firm does not find it very attractive to tie up funds abroad—or for that matter even in this country—simply for the purpose of getting a high rate of interest.

It goes almost without saying that the banker, of all business men, must be the judge of the soundness of enterprises seeking credit, and the issuing banker, who sells a security to a third party, is faced with an especially difficult problem. If his judgment proves to be wrong, then all the investors who have purchased the securities suffer, and—justly or unjustly—feel that they have a grievance against him. The sureness of Schiff's judgment became almost a byword among his contemporaries. Three of his leading business associates in Europe who are still alive, Fleming, Noetzelin, and Max Warburg, have expressed a single view: that Schiff's financial achievements rested upon both his unusual grasp of problems and his unusual courage; that while essentially conservative, he often went in where others

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feared to tread; and that nevertheless he had rarely made a mistake in business judgment.

Schiff abundantly possessed the faith in America's continued growth that led him to assist in that development, even when—as was often the case—more lucrative possibilities appeared elsewhere. In spite of frequent setbacks and disappointments occasioned by the rapid expansion of America's railroads, he always felt that it would take only a short time for the required adjustments, and that the development must go on. To a certain extent he made of this optimism a personal creed. Max Warburg recalls a luncheon which Schiff gave in his honor, to which some forty financiers had been invited:

He asked me to say a few words and I thought I should be doing my duty if I gave a matter-of-fact account of recent occurrences in Europe, with some statement of my own expectations as to future developments. As I sat down he said, with a friendly, but almost severe look in his eyes: "Too short and not optimistic enough."

Acting as he did, according to his point of view, largely in a fiduciary capacity for his clients, it was natural that he would be influenced in his business transactions by strictly business considerations. But alongside of this strain, there was another, and perhaps a stronger, into which personal and sentimental considerations entered. The most notable case of the latter type was that of Russian loans in which, despite their great financial advantages, he steadfastly refused to participate. Personalities attracted him. He would come to believe in a man, and doing so would accept that man's judgment even in matters of very large import. His complete confidence in Cassel, the empire-building vision of James J. Hill, Har-

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riman's dynamic personality, the reserve and caution of Stillman, the close ties of family and affection with the house of Warburg in Hamburg all went along to influence what were in the aggregate vast business transactions.

A word should be said about the conditions under which he worked, because they were in several important respects different from those which prevail to-day. In the first years of his business career, following the Civil War, the United States Treasury had not yet returned to specie payments. Moreover, the currency and banking system under the old National Banking Act was quite different from that which has prevailed since the establishment of the Federal Reserve Banks. Without going into detail, it may be said that the old system was by comparison unorganized and uncontrolled, and that largely in consequence of this disorganization, the fluctuations in business and financial activity were greater than to-day. When depression came, there was no telling how severe it would be. It almost seemed at times that no matter how prudently a business institution conducted its affairs, it might at any time be swept away by the tide. Furthermore, the position of America in the international economic scheme was far different from what it is at present. It is not only that the population was much smaller and less wealthy. The chief difference lies in the fact that by comparison with older countries, especially those of Western Europe, America was meagerly supplied with capital and was ordinarily borrowing from them, whereas to-day the United States is lending to them.

Finally, it must be remembered that the American railroad was relatively more important as a factor in

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financial markets during the previous period. Great industrial combinations did not begin to show their present stature until toward the end of the nineteenth century. The large borrowers of money, those whose securities could be sold to the best advantage, were in the first instance the great railroads.

Kuhn, Loeb & Co. engaged primarily in the issue of non-speculative railroad securities, bonds secured by liens on property and equipment. Even in 1899, when the tide of industrial combinations was at its height, Schiff wrote to Cassel indicating his hesitation regarding the new and uncertain field:

Would you want to participate in industrial securities?

One cannot take them up entirely without risk, but we ourselves cannot refrain from joining, to a moderate extent, in many a transaction.

Once a commitment had been made, the important task, both for the sake of the borrower and for the sake of the investor, was to guide the borrower's financial projects in such a way as to promote their success. This essential service was not one which was legally due anyone concerned; yet it had to be rendered for the ultimate welfare of all. One way in which bankers can watch the interests of investors who look to them for guidance is to be represented in the management or board of directors of the concern for which they have issued loans. So far as Schiff was concerned he preferred, as a rule, that his firm should not be so represented. He felt that by personal conference and advice he could do as much as through formal representation; if the managers of a concern were determined to disregard his opinion of what constituted its best interests, they would do so;

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and moreover, if he or some other member of his firm was publicly identified with a concern, it would inevitably be held that he had approved any action which had been taken. He felt, also, that attendance at board and committee meetings during business hours necessitated too frequent and prolonged absences from the firm's own offices and thus interfered with the conduct of its business.

Special circumstances occasionally required a departure from this practice, and he or, with his approval, one of his partners would accept membership in the directorate of some company with whose financing they were entrusted. An interesting instance is his attitude toward becoming a member of the board of the Louisville & Nashville Railroad, expressed in a letter to Cassel of September 23, 1889:

At Norton's urgent request, and in view of the considerable joint interests which we have in the road, I have agreed to go upon the board. Nevertheless, I have given him to understand that he must not expect that I shall say "yes" to whatever he proposes.

Although averse to publicity, Schiff in the main had what might be called a good press, his personality having caught the imagination of editors and reporters. The newspaper men found him approachable when they wanted an interpretation of the financial news which they did not understand. He rarely consented to write for publication on financial subjects, but he kept numerous correspondents at home, and more especially abroad, informed of the financial situation, giving his

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reasons for his views, and making immediate and sometimes long-range forecasts.

In the main he represented crop conditions as the determining factor—a natural emphasis when it is recalled that the United States in that period was pre-eminently an agricultural country, and the railroads, particularly in the West, prospered according as the harvests were large or small. Next in importance to crops he considered political conditions, both domestic and international. During the days of the currency agitation, that problem frequently seemed to overshadow everything else. Occasionally he expressed to his foreign correspondents his views about the relationship of their own governments' domestic and foreign policies to financial conditions.

Fluctuations of the stock market did not ordinarily seem to him of great significance. Although he occasionally spoke of the stock market as a barometer of business conditions, he felt that it was subject to its own psychological factors, and therefore often unreliable. The complicated problem of the relation of business to security markets he regarded somewhat in the following light: when industry and trade were active, or sometimes, as he thought, over-active, there was a recession in the sale of stocks and particularly of bonds; when business became dull, and industrial ventures were not likely to prove successful, then money was used for bond or stock investments, or for actual speculation in securities.

While many of his opinions on these large aspects of finance were by no means peculiarly his own, it seems

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worth while to reproduce a selection of extracts from his correspondence, presenting the views of a banker of his position and reflective mind on financial developments of which some have become more or less historic. A characteristic analysis and forecast are found in a letter to Cassel, of May 14, 1884, during an acute financial convulsion:

Considering your question whether it is advisable to start buying stocks now, I shall answer you as I should very few others. I am sure that you will not hold me responsible for my advice in case it should turn out to have been bad. Naturally good stocks are cheap if one has the patience to stick to them. The market may still drop slightly, but we are rapidly approaching the end of the liquidation. If we get a good harvest, the quotations towards the end of the year will be much better. Keep away from all trash though; more money can be made, and with greater safety, in intrinsically good securities.

In 1885 stocks had risen greatly beyond what he considered their legitimate value, and he wrote to Cassel from Marienbad, June 11th:

I am so serious with my diet that I have lost three pounds the first week. Well, sooner or later everything drops!

A few days after the crisis in the affairs of Baring Brothers, of London, the shock of which had been mitigated only by the vigorous action of the London banking community, he wrote to Cassel, on November 25, 1890:

Things look brighter to-day, but it seems that the public has already forgotten the lesson of recent weeks. I myself am still pondering so intently the abyss which the

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financial world faced, and which has fortunately been bridged by the courageous intervention of London's *haute finance*, that I am unable to entertain the idea of another bull movement for the present.

There is no doubt that the situation has cleared considerably, and that large numbers of shares here and there have gone over into firm hands, especially in small lots. What I fear most is that on account of the financial ease here, and the efforts being made in London to draw gold from all quarters to the Bank of England, we shall ship large amounts of gold soon. If this should happen, the effect will be very unfavorable, for the money market here, even though it has been made temporarily easy by the extraordinary measures of the Associated Banks, can by no means stand a loss of cash.

As soon as the autumn exports of American produce were over, and Russia began to draw on the rest of the world for the proceeds of the great loans which she had secured in Europe, gold began to flow out of America, and continued to do so on an unprecedented scale until the middle of 1891. He described the situation to Cas-
sel:

With the best intentions in the world, and such intentions do exist, there can be no real improvement here until the exports of gold stop, or at least fall off. The most depressing factor remains that no one knows how much gold Europe is still to take from us.

The American financial situation was temporarily eased by the coincidence of the largest American grain crop on record with serious shortages abroad, and by September gold was coming back from Europe. But the bumper crop of 1891 only postponed the day of reckoning. At the end of 1892 he was writing to Wolff:

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The situation here is not particularly rosy. Apparently gold is going out to-morrow, and when it has once begun, it is not at all impossible that we shall have to send large sums to Europe, since England and France are making the greatest efforts to get our gold, and the cotton speculation here has now postponed any large export. . . . Even if it is not certain that we shall have a gold premium, everyone says that something positive will have to be done soon to avoid it. Exchange cannot under these circumstances be covered, and we must take care to have sufficient gold loans maturing to cover all our exchange, so as to make certain that we do not run any risk in this regard.

During the great crisis of the next year, he wrote to Hill, June 23, 1893:

The demand for money to move the crops must necessarily greatly add to the tension already existing, and it behooves everybody to be most careful in getting his house in order before the autumn demand be upon us. . . . I have never experienced a similar state of affairs since I have been in business, and I only hope the worst may be over, though I am not at all confident.

The crisis of 1893 was followed by a long depression—longer than most observers, among them Schiff, had anticipated. The recovery which began after McKinley's defeat of Bryan in 1896 led to an almost unbelievable reversal in the financial condition of America. Schiff wrote to Fleming, September 1, 1897:

The revival which you and I have been looking for has come with a vengeance, and already at this early stage speculation is threatening to run away with good judgment. The time appears not to be distant when almost any printed certificate, no matter what it represents, will

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command a market, and for this reason I believe it is already necessary to exercise considerable caution.

As far as bonds are concerned, the situation is somewhat different. It is true, all investment and speculative bonds have risen considerably, but . . . I believe that all classes of good bonds are far from having seen their highest level. . . .

The sending over by Europe of large amounts of securities, which have been very readily absorbed, is, in my opinion, a blessing to the country, and of much greater benefit than if Europe had been and was now buying our securities. Had it not been for the constant stream, some bonds, of which large amounts have been held in England, would now command even higher prices than they do.

The first difficulties in the Transvaal prompted him to write to Cassel, September 24, 1899:

The Boers probably will make some trouble for the exchanges yet, for if there is going to be a war, which seems inevitable, . . . it will create havoc among South African mining securities.

And on March 11, 1900, when it appeared that the Boer War had come to an end:

The difficulties in South Africa seem about to be settled definitely now. Let us hope that a basis for permanent peace can be found without too great difficulty. Until then, financial markets will probably remain rather inactive everywhere. Prosperity and industrial activity in the United States remain high, and if, as seems likely, the latest funding law will bring about a considerable increase in note circulation, I should not be surprised at a new period of large speculation as soon as the presidential election is over.

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After McKinley's reëlection, he wrote to Paul Warburg, on November 26, 1900:

A great bull movement has developed here for all securities, as you already know. The upswing has come to a halt very quickly, but so far as I can judge, it will, perhaps after a more or less sharp reaction, be resumed vigorously. Industry and trade too will probably expand considerably, and all this together, from what I can see, will bring about somewhat higher rates for money than have prevailed until very recently. I do not believe that we shall soon have really high rates, for it takes time, especially in the case of industry, for these demands to be felt, but it is well to keep these facts in mind in making financial commitments.

The upswing was resumed vigorously, and on March 20, 1901, he wrote to Cassel, again expressing his apprehension:

Of course there are substantial reasons for the higher valuations which are now placed upon railroad securities and others . . . but to the cautious observer . . . it is almost terrifying to contemplate the way in which the market has risen, by leaps and bounds. The reaction must come; it is only a question of time.

The Northern Pacific corner, and the attendant panic occurred on May 9th. As he wrote to Morgan and others afterward, he thought some such revulsion would have had to come in any case—probably more serious if it had come later.

Writing to Noetzlin on March 16, 1903, he seems to have foreseen some of the approaching difficulties and made overtures with a view toward relieving the American market of some of its "undigested securities"—a

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proposal which he enlarged upon a few days later, in a letter to Fleming:

If we cannot, as appears to be the case, ourselves digest our securities, we must sell them to those who, as Europe appears to be willing to do at a price, will buy them from us, even if at a later time we shall want to take back, at a considerable advance, what we now sell.

When the actual shadow of the "rich men's" panic appeared, he wrote to Cassel, on June 9, 1903:

I shall probably have to stand on guard here, in view of recent financial developments. . . . So far as is possible with a business which is of necessity never wound up, we too have for some time kept free of any extensive commitments, so that we can face rather coolly what is now going on. It is not at all improbable, now that everyone is discouraged, that American securities will go below their intrinsic value, just as they went above it before. The country itself is nevertheless in good condition, and the revenues of the railroads continue to be very satisfactory.

A few days before he had written to Fleming:

I do not believe that we are going to have any panic, or much more forced liquidation, but I do believe that commercial and industrial activity will have a considerable diminution, which in turn will make money easier and bring it into the financial district, from which it has been withheld for the past two or three years. Odd as it may seem to say this, the upward turn, in my opinion, in the prices of stocks and bonds, will come when commercial and industrial activity will begin to recede from its still existing high-water mark.

At the beginning of 1906, before setting out on his journey to Japan, he expressed especial uneasiness re-

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garding the currency and banking situation. After his return in June, he wrote to Paul Warburg:

I am very much opposed to tying ourselves up in any way at all at present, because monetary conditions everywhere are so uncertain, and here in particular so much agitation is going on against all corporations that no one knows what the morrow will bring forth.

His apprehensions were only too well justified by the event—the great panic of the next year and the depression which followed. He wrote to a friend in Europe, on February 14, 1907:

There will soon have to be a recession in commercial and industrial activity all over the world, in view of the rise in money rates, the lack of a sufficient labor supply (and the consequent steady rise in wages), and also the increased prices of raw materials and all manufactured commodities. Paradoxical as it may seem, better conditions in the financial field will arise only after there has been such a recession.

To Cassel, he wrote from Bar Harbor, on August 25th:

That we are having hard times, nobody can deny; but President Roosevelt is not solely or primarily responsible, though that charge is often made. The crisis would have come even without his attacks upon the corporations (or rather upon their excesses); it might perhaps have come a little later, but then it would have been all the more severe.¹ Everything that is good will return to its former value, and the unsound excrescences will be removed. If only Roosevelt could be induced to proceed in less of a spirit of vengeance against what has already been done—it was, after all, the general practice in those days—and

¹ Roosevelt expressed the same view in his letters. See J. B. Bishop, *Theodore Roosevelt and His Time*, Vol. II, pp. 43-49.

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would concentrate his efforts upon protection for the future, then confidence would probably return more quickly.

I doubt whether we have reached the crisis. That will not come before commerce and industry provide themselves with considerable reserves (voluntarily or by compulsion, though I rather fear the latter), so that the country's capital, now so unduly strained, can readapt itself to our needs. One can do nothing in the meantime but wait calmly. I always remember in this connection the words of Frank Work, who was asked after a great panic: "Have you lost much, Mr. Work?" to which he replied: "I have not lost anything, but I have shrunk several millions." That is what is happening now to almost every man of property.

The stringency of the money market in the autumn—a usual phenomenon in those days, but one which could under ordinary circumstances be borne—sent things really crashing. He hoped the worst was over, as he wrote to Takahashi on October 25th:

It is not possible to say yet how far the distrust, in part senseless, which has taken hold of the public and caused runs on the banks and trust companies, may go, and demand further victims. The Secretary of the Treasury and the leading banks and bankers are doing all in their power to help stay the panic, and I hope and believe that before this reaches you the cable will have told you that no further serious consequences have resulted.

On November 21st he wrote to Cassel:

Although it is impossible to offer any special demonstration of the fact, the financial situation does appear to be slowly settling; on the other hand, general business, commercial and industrial, is beginning to feel the crisis, and it appears that we shall have to suffer for a long time

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from an extensive recession in the general trade of the country. The reaction has come so quickly and been so intense that people still can not and will not believe that we now have to reckon with different conditions from those which prevailed for such a long time, and until very recently.

The long depression of industry and trade duly followed, but by June of the next year the financial situation was beginning to take on new life. He wrote to Cassel on June 2, 1908:

The demand for first-class bonds continues, although now and then a lull occurs, which is not unnatural after the various issues which have been made during the last few weeks. In speculative securities, particularly in the leading shares, transactions are at times quite enormous—which, so far as I can see, is hardly a justifiable state of affairs at present. . . . The adjournment of Congress and the last-minute adoption of the Emergency Currency Bill, which is supposed to furnish a panacea for crises and for extreme stringency in the money market, have also done their part to set the bull campaign in motion once more.

And again on August 7th:

General conditions and railroad incomes do not at all justify the boom, but the Stock Exchange is anticipating the return of prosperity which is expected as the result of a good harvest and the election of Taft. Let us hope there will be no disappointments.

The unexpected duration of the industrial depression, together with the unsettled state of American politics, soon deprived the investment and speculative markets of their enthusiasm. Writing to Takahashi on September 21, 1910, he characterized the financial situation:

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Considerable stagnation in general business has set in, and money has, in consequence, remained very abundant, notwithstanding the large crops with which the country is again blessed, and which generally, when business is active, require a considerable volume of money to move at this season of the crops' maturity. The general opinion is that, so long as the baiting of corporations and anti-capitalistic talk of our political leaders continues, we shall have no general revival of industrial affairs, notwithstanding the fact that the country itself is in very good condition.

Writing to another friend, in Europe, on December 12th of that year, he says that he is not pessimistic about business conditions, even in face of recent court decisions and the November congressional elections, which were unfavorable to the Taft Administration. Prudence and restraint are obviously indicated, but, he adds:

The money market is so easy that after the end of the year we shall probably have a good demand for investment securities. That in itself will furnish an inducement to new enterprises, especially on the part of the railroads, so that industry will then find itself busier than now appears likely.

The long stagnation, and the Balkan Wars, which destroyed what seemed then large amounts of property, gave a new complexion to the world's capital market. On April 9, 1913, he wrote to Cassel:

I cannot conceive how the whole world will manage to raise all the money it will need, because the sums required are tremendous. That will be especially the case as soon as peace is declared.

The breakdown of the St. Louis & San Francisco Railroad that year made the outlook worse than ever. In

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many quarters a new panic was feared. He wrote to Cassel on June 3d:

It is now the duty of all respectable financiers to retain their presence of mind, and to keep that which is sound from perishing with the unsound.

And to Fleming, on July 28th:

I think your Scotch friends are right in taking advantage of present conditions to form another investment company, for surely the returns at present obtainable on the best of American investments are most tempting.

Early in 1914 he wrote to Samuel Rea:

Financial affairs are good, but perhaps not quite as flourishing as they look. However, with the railroad rate decision now postponed for six months—money being very easy—I should not be surprised if the improvement in the investment market at least continued, if it does not go further.

And to Cassel on April 10th:

So long as there is no decision upon the hoped for rise in freight rates, we need not look for any special rise in security prices, and we must only hope that the Interstate Commerce Commission will show insight and agree to the rate rise, for the country as a whole needs this tonic even more than the railroads.

The complete financial dislocation brought about by the war, and Schiff's acts and utterances at the time are discussed in another chapter.

He regularly declined to give private advice in the matter of investments, refusing to accept discretionary orders even from his brothers. Of course this did not prevent him from freely exchanging opinions about se-

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curities with business associates, who would in the end make independent decisions, and who were prepared to withstand losses when they occurred, or to wait until losses could be turned into gains.

CHAPTER III

IT is difficult to realize now how far Schiff was ahead of his time in the constant and steady encouragement he gave to the policy of friendly agreements between railroads, which led to what has generally been denominated the community of interest plan. In the early period of his active business life, when the maxim of all business was: "Competition is the life of trade," railroads, to get freight, competed with each other to the point at which business could not be profitable. Competing lines sometimes resorted even to physical violence. Thus, when it appeared to the heads of the Pittsburgh & Connellsville Railroad, a subsidiary of the Baltimore & Ohio, that there was across the Monongahela River a bridge of another company which abutted by two inches upon the property of the Baltimore & Ohio, the bridge was tossed into the river.

Schiff's voice, raised in protest against this waste, was a contribution to the industrial and social life of America far transcending in importance the group of railroads with which he was immediately concerned. While it is true that out of the new policy there gradually grew the great economic combinations which caused a decade and more of dislocation in American industry, yet, in modified form, the policy of friendly understandings has triumphed. On August 2, 1899, Schiff was writing on this subject to Marvin Hughitt, of the Chicago & North Western:

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There is one thing I fear, which the prosperity of the railroads may bring us, and that is new and unnecessary competitive construction, which has done so much injury in the past and which, if repeated, is certain to do more injury in the future.

On January 31, 1900, he wrote to Fleming, that the time was approaching when the railroads would fall into a limited number of groups, controlled by non-competitive ownership.¹

When Congress was considering the advisability of empowering the Interstate Commerce Commission to fix railroad rates, he wrote to Roosevelt, urging a definite policy:

January 12, 1905.

DEAR MR. PRESIDENT:

Nothing is more hurtful to the public weal than uncertainty. . . . It is, therefore, to be hoped, if the present Congress does not deal conclusively with the proposed Interstate Commerce Commission legislation—and this perhaps because of the importance of the subject and the shortness of the time may not be desirable—that you will determine to call the new Congress in extra session immediately after the fourth of March. I am telling my railroad friends that they must get alongside of public opinion instead of opposing it, and if, as I believe, this view prevails among leading railroad men, there is no reason why a protracted session need be necessary to frame legislation which shall prove alike just and satisfactory to the people, as well as to the railroad corporations. I am very certain that men like Mr. Cassatt, Mr. Harriman,

¹ See in this connection his testimony before the United States Industrial Commission (given May 22, 1901), in the *Report* of the Commission, Vol. IX, pp. 769-777; also the Commission's Review of the Evidence, pp. v-viii, and lxi.

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Mr. Hughitt, Mr. Ripley, and others of similar caliber can be relied upon to look at the momentous question now before the country not alone from the point of view of the railroads. . . . Nor is there any reason why, with the conviction on the part of the people, as well as on the part of the corporations, that those at the head of the Government will be equally just to the interests of the people and the corporations, conditions cannot be obtained which will give the country rest from the agitation which, in one form or another, ever appears to be coming forth to interfere with the activities which make for the commercial and industrial supremacy of the country.

With assurances of my high respect, believe me, Mr. President,

Yours most faithfully,

JACOB H. SCHIFF.

During the crisis of 1907 he earnestly gave his views to the President again:

March 24, 1907.

DEAR MR. PRESIDENT:

When about a month ago I had the honor of an interview with you, you said to me, "Mr. Schiff, I have nothing to avenge, but I wish to make certain that we are protected in the future against the abuses of the past." In this every good citizen should agree with you and uphold you, and it appears to me the time has come to act upon what you have said to me. We are dealing no longer with a theory but with a condition. Events have traveled fast. We are confronted by a situation not only serious, but which, unless promptly taken in hand and prudently treated, is certain to bring great suffering upon the country. Confidence in values has become thoroughly shaken; there is absolutely no sale for securities, even of the most approved character, either at home or abroad; and unless the distrust, which has grown so intense of late, can speed-

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ily be removed, all work of railway improvement and new construction—of which there is so much required—will before long have to cease. The effect of this will be far-reaching and will be felt in the activities of the entire country. I am neither an alarmist nor a pessimist, but I can readily see whither we are rapidly drifting.

There can be little doubt that whatever railway legislation the Administration may ask from the next Congress will be granted. In fact, with the passions which have been aroused, it is not at all unlikely that Congress will go farther than you would probably wish it to go, and laws may be placed upon the statute book, the enactment of which will later on be regretted. It is not the money situation, which is likely to right itself before long, but the uncertainty as to what may be the final outcome of the present agitation which is at the bottom of the growing distrust. To permit this situation to continue until after the meeting of Congress next winter, and to further grow in intensity, as it no doubt will, will be certain to bring about intolerable conditions. A public statement on your part, such as is said to have been suggested, may, to some extent, quiet the troubled waters, but—if I may be permitted to say so—its effect will not be far-reaching.

There is, as far as my judgment goes, only one remedy which will cure the situation in which we find ourselves: the prompt coming together of the railroads and the people, in a mutual endeavor to right what has been wrong, to remedy what needs to be cured. This can only be done through the initiative of the Administration. As matters have shaped themselves, there can be little doubt that the railroads will be found eager in the desire to support any reasonable legislation tending to remedy the shortcomings and abuses which have been laid bare, and providing such further safeguards as may suggest themselves.

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I am convinced that if it be practicable, on your part, to bring together a committee representative of the railroad interests and the Interstate Commerce Commission, with a view to work out the details of legislative measures, such as shall commend themselves to your Administration, with the purpose that these be presented to the next Congress, with the committee's endorsement, a relationship can be established between the people on the one hand and the railroads on the other, such as has never before existed; and that the very effort to accomplish this will speedily restore confidence and dispel the clouds which are now gathering in so threatening a manner. If what I have suggested can be carried into effect through your initiative, it will prove constructive statesmanship of the highest order, which, I repeat, will save the country much suffering.

Trusting that this may have your consideration, I am, with expressions of high respect,

Yours most faithfully,

JACOB H. SCHIFF.

March 28, 1907.

DEAR MR. PRESIDENT:

You have been good enough to write me fully ¹ in reply to my letter to you of the 24th inst., and this I deeply appreciate. I also thank you for sending me copy of your last annual message to Congress, calling my attention to certain utterances this contains, and while I have again read it, I also wish to assure you again, as I have had the opportunity to do before this, that personally I not only know, but thoroughly understand, the sincerity and propriety of your position. Perhaps you will remember that I have only recently taken the opportunity to say personally to you—and I do not wish to recall of this a single iota—that I feel the next generation will be better and

¹ See Bishop's *Roosevelt*, Vol. II, p. 41.

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happier because of your having been President, but that I also feared that the present generation would have yet to go through much suffering because of your stern and uncompromising attitude in important questions, and because of the manner in which changes in economic conditions, which in your opinion had become necessary, are forced upon the country and upon the interests involved.

Five years ago—after you had ordered suit to be brought for the dissolution of the Northern Securities Company—you did me the honor to discuss with me the attitude you had taken, and permitted me to present to you and Attorney General Knox my own views upon the situation which had been created. Perhaps you will recall that, among other things, I then said that it appeared to me we were entering upon a thorny path, which would finally lead to radicalism becoming rampant. I cannot now but feel that we are rapidly drifting towards such a condition. A more careful and prudent treatment of the difficult economic problems, which, five years ago or longer, you had rightly discerned needed solution, would have made possible for a long time the preservation of the material prosperity of the country, the proper maintenance of which is after all the real basis of the happiness of the people.

It is unfortunately human nature that the majority of the people will rather get things for nothing than pay adequate and proper value, and while I thoroughly understand that to support this is entirely foreign to you, the multitude to-day believes that it is right on their part to demand corporation service at such remuneration as the people alone shall dictate. At this time we are before two paths both terminating at the point it is desired to reach. The one is a short cut, but it leads across rocks and abysses, and if taken, we shall have to suffer and be exhausted before or when we reach our destination. The other path

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may be somewhat longer, but it avoids the rough places; it gives opportunities for rest on the way, and while it will bring us to the destination we seek somewhat later, we shall arrive there without much suffering and shall be ready to march on without having ultimately to rest or recover from the exhaustion which we would have experienced had we chosen the short cut.

Need I explain, Mr. President, the simile? Certainly the theories and practices which are wrong in the railroad business should be corrected as speedily as is practicable—certainly the abuses which have crept in should be made to cease. But must and can the far-reaching changes which need be made in what it has taken half a century to build up and develop be brought about in half a decade? And more than that, should not those who necessarily will be affected to so great an extent, the owners and their experienced representatives, be called into consultation as to the best and safest manner in which the momentous changes to which it is properly intended to give the form of law should be determined and their carrying into effect be proceeded with? Mr. Morgan—the big man he is—has perhaps acted somewhat impulsively, but I can readily understand what was in his mind when he recently suggested that a few representative railroad men hold a conference with you.

If instead of Mr. Morgan, who after all represents a class against which, unfortunately, great prejudice now exists, you as the head of the American people, in whom the people properly and fortunately have every confidence, will propose that the Interstate Commerce Commission, as the representative body of the Government, and the representatives of the railroads, chosen in such manner as the railroad interests may themselves determine, come together with the view of arriving at a solution of the difficult problems involved, I cannot but believe that the good

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which will result will be immeasurable. You have taken action in a somewhat similar situation . . . when in the autumn of 1902 you brought about peace between the anthracite coal operators and the miners, a peace which has now remained undisturbed almost five years. I can only repeat, that unless something is done—through such a measure as I have indicated, or any other which may be practicable—so that confidence be restored in railroad affairs and properties, unless the conviction can be brought to investors not only in the United States, but also abroad, that the people and the railroads are going to come together and solve the existing differences in mutual confidence, actuated by the desire that justice shall be done to all, we shall enter upon the most serious and probably most disheartening period in our economic history.

I repeat, the present is a money situation to a small extent only. The intelligent attitude of Secretary Cortelyou and the prudent measures he is taking will soon restore equilibrium in the money market, and indeed, if the present conditions of distrust continue and spread we shall, before long, be faced by too great an abundance of loanable funds. What is needed are measures through the application of which this insane fear that the railroads and the people are getting more and more apart and that destructive legislation is, in consequence, likely to be enacted can be removed, so that confidence may be restored, and the work of upbuilding and development of the great highways of trade and commerce can be continued, instead of, as is threatened, being seriously interrupted to the lasting injury of the prosperity of the country and the happiness of its people.

I have again to ask, Mr. President, that you pardon the frankness with which I am writing, and feel assured that even if I move in what is commonly designated as "Wall Street atmosphere," I have the sincere conviction that you

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have no other intention but to do what is eventually to the interest of the people, to whatever class they may belong, or in whatever position they may find themselves.

Most sincerely yours,

JACOB H. SCHIFF.

Schiff's earliest personal relations with railroad companies appear to have been with the Erie, the Louisville & Nashville, the Norfolk & Western and the Denver & Rio Grande, though his firm's connection with the Chicago & North Western seems to have antedated these. The latter began somewhere toward the end of 1877 and was primarily in the hands of his partner Wolff. There developed, however, a strong personal friendship between Schiff and Marvin Hughitt, for many years president and later chairman of the Chicago & North Western, which became closer through their association in the reorganization of the Union Pacific. Not many letters passed between them, as they saw each other frequently. The most interesting was written October 7, 1908, in reminiscent mood:

DEAR MR. HUGHITT:

. . . I am sure you have every reason to feel gratified at the results obtained under the difficult conditions prevailing during the period covered by the report. From an examination of the balance sheets and other financial statements, I find that next year the Debentures issued in 1884, which were negotiated through our firm, become due. This reminds me how fast we are ourselves maturing, but it is much of a satisfaction that relations so pleasant to us have been maintained these many years between our firm and its partners and you personally, as the head of the Chicago & North Western Railway. Trusting that, not-

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withstanding your and my own years, we shall be granted many a year yet in friendly relations, I am, with warm regards,

Yours sincerely,

JACOB H. SCHIFF.

The following references to Schiff's financial relations with corporations and governments cover as a rule only the pre-war period, and as this is not a history or record of the activities of Kuhn, Loeb & Co., are of necessity made only to the extent to which they throw light on his personality and his point of view on some of the important problems on which he had to deal. The beginning of the World War in 1914 and America's entry in 1917, as well as the post-war period, presented new problems, Schiff's relations to which are set forth in another chapter.

The earliest personal railroad relation of which there is a record, was with the Erie, of which he served as a director until 1884. He resigned in May of that year, but at the urgent request of its president, Jewett, withdrew his resignation "for the present." The affairs of the Erie, the New York, Pennsylvania & Ohio, and particularly the Chicago & Atlantic, occupied much of Schiff's personal attention during 1882 and the years which followed. In September, 1882, Schiff wrote to Cassel, to inform him of the virtual completion of the new Chicago & Atlantic (which was to afford the Erie its first independent entrance to Chicago), and expressing his agreement with the views of Jewett and George R. Blanchard, then vice president of the Erie, that the new road ought to be profitable from the very first day.

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Meanwhile negotiations had been going on between the Erie and representatives of the New York, Pennsylvania & Ohio bondholders. On November 9th Schiff wrote to Cassel that the recommendations of the New York, Pennsylvania & Ohio "experts" did not seem to him feasible, and that his suggestion would be to consolidate "the revenues of all lines west of Salamanca, which properly belong to the Erie system, that is, the New York, Pennsylvania & Ohio, the Cincinnati, Hamilton & Dayton, and the Chicago & Atlantic, with an obligation on the part of the Erie to carry its entire traffic over these lines." But this suggestion was not carried out.

On March 1, 1883, Schiff wrote to Cassel that the representative of the British security holders had finally arranged a lease of the New York, Pennsylvania & Ohio to the Erie, which he believed both lines would find advantageous, while the Chicago & Atlantic should profit most. During May and June, 1884, he wrote to Cassel in some detail about the condition of the Erie, which, while in general not unsound, was unfavorably affected by the great financial disorders of that year.

The Erie's treatment of the Chicago & Atlantic was not satisfactory, and new plans had to be made. Schiff had no doubt that these would prove beneficial, and went so far as to advise Cassel to buy the latter's bonds on October 12, 1885, writing more fully the next day:

I am told that the local business is increasing. If the Erie were not using every possible device to ruin the company, instead of sending a part of its traffic over the company's lines, as provided in the contract, the railway would be quite able to earn its interest charges. But in conse-

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quence of the Erie's attitude, the Chicago & Atlantic is forced to take back empty all the cars which it sends loaded from the East to the West.

In April of the next year he wrote that the Chicago & Atlantic was becoming more and more valuable every day; that if steps were not taken to bring about an independent reorganization, the Erie would soon obtain control and the bondholders would then be dependent upon the good will of the latter. He proceeded to set forth at length his own plan for reorganization. Writing again on May 27, 1886, he told Cassel:

It seems that no one knows anything here of the serious advances the Erie is said to have made. The negotiations must have been conducted direct with Amsterdam; yet I hardly think it likely, in view of what I know of the characters now on the Erie board, that the company will make satisfactory proposals. . . . We will probably have to try many devices before we can find the final solution. The main thing is to see to it that no reorganization is carried through which tries to exclude the stock, and that is the reason why I look with distrust at any "Erie" reorganization.

Meanwhile, Jewett resigned, and the new Erie administration, under King, seemed to Schiff more conciliatory; on June 2d he wrote to Cassel:

I have recommended to Benedict, the new president of the Chicago & Atlantic, that he try to effect with the Erie an arrangement for a given period, during which the two roads should, without making any commitments for the future, establish intimate traffic connections, so as to demonstrate in a practical way what the Chicago & Atlantic is able to do, and what advantages the Erie can derive from the connection.

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In July, 1886, he wrote to Cassel of the arrangement under discussion, that it is very advantageous for the Erie, which not only gets back its money in full, but also a large interest in Chicago & Atlantic stock. So far as the latter is concerned, since the fixed charges are "forced down to the minimum," it is probably most advantageous to the stockholders, who are relieved of the necessity for any assessment on their holdings. And a few weeks later he wrote again to Cassel that the Second Mortgage bondholders are unwilling to endorse the plan and intend to oppose it. Here his personal correspondence regarding the Chicago & Atlantic suddenly broke off, and there are virtually no references to it in his later letters.

As a result of the crisis of 1893, the Erie, and with it the New York, Pennsylvania & Ohio, were again in difficulties, and Cassel apparently asked Schiff to co-operate in arranging for an extension of maturing Prior Lien Bonds of the latter company, which he, Cassel, was negotiating in London. In the autumn of 1894, Schiff wrote to Cassel about the subject several times, offering detailed criticisms of various plans and his own counter-suggestions. On December 27th he wrote that the formalities regarding the extension of the Bonds had apparently been settled, and added:

I assume most of the holders will make use of the extension rights which are to be offered them. It will in consequence be only a small transaction, but a certain and good one. In the meantime, the Erie reorganization has been postponed to the distant future.

This appears to have terminated his and his firm's di-

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rect connection with Erie affairs, although there is occasional reference to that company, as will appear later.

Another early connection was with the Louisville & Nashville, in which he appears at the outset to have been interested chiefly on Cassel's account. After the financial crisis of 1884, Kuhn, Loeb & Co. were invited to coöperate with Wertheim & Gompertz, of Amsterdam, in forming a syndicate to guarantee the sale of new Adjustment Bonds and Preferred Stock to the company's shareholders. While his firm did not wish to assume the moral responsibility of bringing the bonds before the public, it was willing to conduct negotiations for this purpose in the United States, provided Cassel would do the same in England, but this proposal was not accepted.

In November, 1887, at the invitation of President Kimball of the Norfolk & Western, and of Ex. Norton, who had recently become president of the Louisville and Nashville, he joined in a tour of inspection of the "New South" over both roads, which gave him an entirely new confidence in their future, and especially in that of the Louisville, which had made great strides in developing mining interests in Tennessee and Alabama. From that time on he displayed an earnest interest in the Louisville, and in its affairs. A letter to Cassel of December 20, 1887, expressed the view that the company should pay no cash dividends for the time being, but gather strength in its resources, and if possible accumulate a reserve; that the creation of floating debts for construction purposes was most dangerous.

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He finally prevailed upon Norton to support his financial programme: to call in the company's Trust Bonds and increase the capital stock. Writing on September 23, 1889, he considered with Cassel whether they should proceed to finance the issue of new shares, reiterating his confidence in the company's prosperity. The transaction was carried out early in the troubled year of 1890. On February 20th he wrote to Cassel:

It is amazing with what readiness, in spite of the otherwise unfavorable situation of the market in general, the \$13,000,000 of stock have been absorbed, and it is a proof of the great confidence which is generally felt in the administration and possibilities of the Louisville.

So favorable was his own view of the company's prospects that he went on to ask Cassel's opinion of a plan which had been proposed by Norton, for the Louisville to obtain control of the Baltimore & Ohio. He explained that the idea was still too new to him personally to allow him to form an immediate opinion; that, however, in view of Norton's recognized ability, the plan would be received enthusiastically by the market. It was Norton's basic idea that it would be better if the Louisville, in view of its growing strength, were to absorb one of the trunk lines than vice versa.

The company continued to prosper beyond expectation, and in July, 1890, a syndicate was formed, including bankers in Switzerland and Germany, to market an issue of bonds in October. Meanwhile ill winds were blowing. A serious financial situation in Argentina precipitated in London the crisis of November, 1890, which made all markets very nervous, and it was not easy to dispose even of Louisville bonds. Schiff began to feel apprehensive about the soundness of the company's

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financial policy, and wrote to Cassel on December 5th, complaining that like the majority of railroads, it was not laying aside any of its earnings. He had, however, prevailed on the board to postpone the contemplated purchase of the Kentucky Central.

Yet Norton's influence was very strong and a further issue of bonds was finally authorized, though Schiff thought it unwise. The methods pursued by the management in arranging this issue were very distasteful to him, and he considered retiring from the board. A temporary recovery from the market decline fortunately allowed the road to dispose of the bonds, but Schiff was still firmly convinced of the necessity for more careful husbanding of resources. He wrote to Cassel on January 20 and 23, 1891, that he intended to introduce a motion at the next meeting of the board, to the effect that before new commitments were made, the finance committee should see to it that the necessary funds could be raised otherwise than by temporary loans. If he could not carry the motion, he would withdraw without further hesitation. On January 29th, he was glad to report to Cassel by cable that it had been carried.

But the sharp division of opinion as to proper financial policy remained, and on February 10th, he wrote to Cassel:

It is true that thus far, through a conjunction of favorable circumstances, Norton has apparently been successful in the administration of the Louisville & Nashville, but other times will come, and then the whole board will bear the moral responsibility for his errors. Mr. Loeb thinks that until this controversy which Norton has now raised is settled, I ought not to resign, and after considering

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the matter very carefully, I believe I shall follow his advice. Nevertheless, I think it best, at the first favorable opportunity, to give up a connection which has brought me little pleasure and will, I believe, bring me little in the future.

Further friction occurred the next day, inducing him to offer his resignation forthwith. But Norton had meantime determined, for personal reasons, to retire from the presidency, carrying out an intention which he had expressed to Schiff the year before, and persuaded Schiff to withdraw his resignation. The following day he wrote to Cassel that, in order to prevent a recurrence of such difficulties, he had promptly, after Norton's resignation had been accepted, made the proposal that a chairmanship of the board be created, with final authority on all questions, except, perhaps, purely technical matters.

Writing again on March 3d, he discussed the contemplated election of August Belmont to the new chairmanship. He thought it would be preferable if the right man were found who could devote himself exclusively to the affairs of the company; but as Belmont was "very intelligent and conservative, and desirous of doing the right thing," the new administration would probably be successful; and perhaps Belmont could secure for the Louisville the financial support of the Rothschild houses.

Meanwhile financial conditions did not improve, and the American market was called upon to repurchase American securities from Europe. The Louisville tried a bond issue to fund its floating debt, but without success. Schiff explained the situation to the board, and on March 5, 1891, he offered another resolution, which was

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unanimously carried, that no new construction or improvements should be undertaken for the time being. By June 5th he had come to the conclusion that the company should issue more stock to wipe out the floating debt, which "must be done away with at all costs." The issue of new shares was approved by the board, and Kuhn, Loeb & Co. proceeded to arrange the transaction.

A letter of May 1, 1891, to the new president, Milton Smith, sets forth Schiff's views as to the division of functions between management and ownership:

I shall always support the view that all propositions for the efficient management of the company's affairs must originate with the president; but the proprietors, whose representation is in the first instance concentrated in the chairman of the board, must have a right to review and determine every important question connected with the management of the company's affairs. If, therefore, it is your idea that the chairman shall solely attend to the finances of the company, and that his advice in other affairs shall only be asked when it suits the president, I shall widely differ from you, and shall . . . feel . . . in duty bound to urge my own views upon the directors.

The panic of 1893 was approaching, and business conditions everywhere were unsatisfactory. The Louisville, however, continued to earn money, and in reply to Cassel's apparent surprise that this should be so, Schiff wrote on February 7, 1893:

The revenues remain good without any special cause that can be named with certainty. It may be due to the cold winter, which has made navigation in the South partly impossible.

By the beginning of the summer, conditions in America

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became very bad, and Schiff began to reveal anxiety even about the Louisville. On August 17th, he wrote a long letter to Cassel explaining some of the difficulties. He proceeded to discuss proposals which had been made to the Louisville, that it acquire the Chesapeake, Ohio & Southwestern, then in difficulties of its own:

It seems quite ridiculous to discuss at this time the acquisition of new lines, and yet the proposal has much that is enticing about it. . . . The Chesapeake, Ohio & Southwestern will always remain an unpleasant and menacing neighbor, and in strong hands can do much harm. . . . If the Louisville & Nashville Co. does not have to expend any of its money or its credit for this purpose during the next ten years, it would be advisable to take the project under consideration.

He wrote again, September 29th, that he was even more firmly convinced that the acquisition would be a prudent one; that the Louisville could operate the road much more cheaply than the latter had been operated as an independent line. As for the situation of the Louisville itself, large operating deficits had arisen, contrary to all expectations, and the financial requirements would be even greater than he thought. The board had decided upon a further increase of capital, and it seemed to him that the best plan would be to borrow upon the new shares for the next six months, giving certain preferential purchase rights to the lenders. But the announcement of the new issue weakened the stock on the market, and a sale of bonds was again proposed.

The old question had come to a head once more: the management, supported by the chairman of the board, eager to borrow; the banker taking the view that it was perilous to increase fixed charges further,

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and declining to take part in any bond issue at this time. He wrote to Belmont on October 16th:

I adhere to the belief . . . that our action has been wise and for the best interests of the company. It is true, when the board decided upon the issue of the new stock, it was expected that the creation of further floating indebtedness could be avoided, which expectation it is now, with the recent heavy decline in the market price of the stock, not possible to realize. . . . Even now I would again and again vote for an increase in the company's capital stock, rather than see its fixed charges further permanently increased, which, in the light of the events through which we are just passing, . . . takes more faith and courage to undertake than I, at least, possess. I could therefore not conscientiously coöperate in the sale at this time of an additional amount of Unified Bonds, even if the market were in a condition to absorb more bonds, which it is not.

After further friendly and calm discussions with other members of the board, he was firmly convinced that there could be no sale of bonds by the company, and that as a matter of compromise there would be a fairly long loan, secured by the bonds in the treasury, the loan to be liquidated at the earliest opportunity by a sale of the shares. Other views prevailed at the meeting of October 19th, and he wrote to Cassel:

In view of the policy now established, I personally can remain on the board only so long as is required by your interests, and, secondly, our own. . . . Although there is no immediate danger in prospect, . . . I fear nothing pleasant can come of it when pecuniary and moral engagements are made on a constantly rising scale.

He intended to withdraw as soon as arrangements were completed for acquiring the South Carolina Rail-

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road—a plan which had been postponed for several years, largely on his own recommendation. At the next meeting, a fortnight later, the board did authorize the new shares to be sold, and the men who had insisted upon a bond issue came out in favor of Schiff's plan. But they did so, he wrote to Cassel afterward, "evidently with the sole purpose of having the financial question regarded as settled, so that the acquisition of the Chesapeake might be put through."

Schiff's long hammering for a prudent policy had not been in vain: the Louisville was in difficulties, but it was one of the select group of American railroads which weathered the storms of 1893 and 1894. In general he expressed his satisfaction with the soundness of the company's position, though he still felt that he and Cassel had both been well rid of cares which, as bankers, they could have borne only at the cost of acute discomfort.

While the previous intimate connections with the company were severed, friendly relations continued. He informed Belmont in a letter of November 24, 1893, that Kuhn, Loeb & Co. were willing to place their South Carolina Railroad Bonds at the disposal of the Louisville; though they must not be asked to make too large a sacrifice, they would do whatever they could to be of service in bringing about a settlement with all the bondholders.

As for the acquisition of the Chesapeake, Ohio & Southwestern, he had in general supported the plan, and the immediate occasion of his retirement from the board was merely a difference, though an important one, as to method and time of proceeding. But legal

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difficulties had arisen, and this project too was in abeyance. He wrote to Cassel on October 26, 1894, that if the Louisville could not acquire control, the Illinois Central would be compelled to assume sole ownership; that the latter was most aggressive and would play it against the Louisville for all it was worth—a real case of “out of the frying pan into the fire.” The courts, however, decided against the Louisville, and the Illinois Central proceeded to buy up Chesapeake securities.

On November 30th he wrote to Cassel that the Illinois Central people had invited Kuhn, Loeb & Co. to consider the financing of the purchase, and, a month later, that the negotiations were completed. From this transaction seems to have arisen his connection with the Illinois Central, significant not only in itself, but even more so because at that time the vice president of the Central was Edward H. Harriman, who was shortly to take up the reconstruction of the Union Pacific.

Dealings between Kuhn, Loeb & Co. and the Louisville continued for a short time. On August 14, 1895, Schiff wrote to Cassel that they had taken over from the company \$6,000,000 of bonds, and had resold most of them, although another banking firm, whose coöperation had been invited, had declined the opportunity. Thereafter Schiff had no banking relations with the Louisville, which, moreover, passed into new ownership a few years later.

Starting not later than 1885, there grew up in a few years intimate relations between Kuhn, Loeb & Co. and

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the Norfolk & Western Railroad. Schiff's confidence in the road was finally established by the tour of inspection of November, 1887. He wrote to Cassel, from Memphis, Tenn., on November 16th:

Kimball's management is evidently very good, and the line itself is in the best of condition. . . . From what one can see much intelligence is being displayed in the uncovering of new resources.

One of the chief problems of the road which engaged his attention, even before the tour, was the acquisition of the East Tennessee, Virginia & Georgia. As the position of Norfolk & Western grew stronger, he became convinced that it would be best for the Norfolk to buy East Tennessee shares. But that road was meanwhile leased to the Richmond & Danville, now part of the Southern Railway system, and though F. J. Kimball, president of the Norfolk, was rather indifferent, Schiff felt that the hostile combination ought to be watched, and wanted more than ever to see an alliance made with the Louisville. Friends of the Norfolk proceeded to have the Richmond & Danville lease invalidated, as a consolidation of competing lines, and the Richmond & Danville found itself eager to dispose of its holdings in East Tennessee shares. Schiff tried very hard to effect a friendly settlement, writing to Kimball on November 27, 1888:

I can well understand that you wish to prevent the East Tennessee from being tied to your rival interests, but it appears to me imprudent for railroads to get into fights with each other at a time when rates can only be protected by friendly relations. As far as I have any influence with you, I would rather advise you to make some satis-



At the age of forty.

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factory permanent arrangement with the Richmond Terminal interests than to get into a prolonged fight from which no good can come to either of you.

The negotiations ran aground for the time being, on the question of a traffic agreement.

Early in 1889, Schiff began to take part in negotiations for financing an extension of the Norfolk to the Ohio River, advising Kimball against putting out bonds in advance of construction. Plans were made to issue the bonds with the coöperation of A. A. Boissevain & Co. in Amsterdam, and of Vivian, Gray & Co. and Fleming in London. By midsummer the bankers' syndicate was arranged, under a general financing plan proposed by Schiff and providing for developments and improvements, to be carried out, however, only when the bonds could be advantageously placed on the market. The first actual issue was beset by delays, due to financial conditions in London and then in New York, but was finally made in February, 1890. In August, 1891, when markets were discouraging and it seemed difficult to obtain further funds to continue the work, he wrote to Kimball, who had gone to England:

Mr. Fleming will no doubt concur in the view that if the industrial revival does come, as it must sooner or later, it should not find the Ohio Division uncompleted. A great mistake which is constantly being made in railroad construction everywhere is that roads are started and built in prosperous times, so that their completion generally falls into the beginning of an era of depression. This is no doubt natural . . . but if a reversal of the course generally taken could be brought about, probably fewer reorganizations would be necessary.

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Kimball was determined to go his own way financially. Even in 1890 he had sold some Preferred Stock without informing Schiff, who wrote him, on May 15th:

My partners and I feel that, since we have . . . become closely identified with your company, we should not be left in the dark in regard to important financial transactions which have been made, nor do we think it just to us that you, as president, should take a pledge to keep such transactions secret from us. We have at all times met you with the greatest frankness, and if we cannot count upon like treatment on your part, we shall, with regret, cease our connection with your company. I note that I shall soon have the pleasure of seeing you, and that you will then more fully explain this matter.

Schiff must have received some kind of satisfactory assurance at the time, but during the summer of 1892 he learned that, in order to acquire the Scioto Valley Railroad, the company had, some six months before, made an issue of bonds, likewise without his knowledge. There was no room for hesitation, and he wrote to Fleming, on July 14, 1892:

Now, it has come to a nice state of affairs if, after these many years of intimate connection we have had with the Norfolk & Western Railroad Co., after having deeply engaged our funds and more or less staked our reputation upon the company's success and proper management, an entirely new issue of bonds can be made without our knowing a word about it, and the information that the bonds have been sold be suddenly sprung upon us, and if then the only reply made to our protest, if not in so many words, in effect amounts to: "What are you going to do about it?" To this position only one re-

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sponse is possible. If it is thought best to make financial transactions of importance, through which the fixed charges of the company are increased, and it is not thought worth while to first consult with us about the advisability of such transactions, the sooner we disengage from a connection with the Norfolk & Western Co., the better it will be.

We have still very large sums engaged in the Norfolk & Western Co.; we are large holders of its stock and bonds, neither of which we can probably realize upon, and both for this reason and because we desire to see nothing done which might be detrimental to the credit of a company with which we have been connected for so long a time, and whose securities the public has possibly to some extent taken because of this connection, we have the sincere desire that in the new arrangements which the company will have to make in this city, a selection will be made with your and Mr. Boissevain's coopération, which will assure a conservative home influence. It is quite clear to us that the policy of continually issuing new securities, be it bonds or stock, cannot further continue, and that if it is not promptly reversed, disaster is sure to follow. . . .

In parting connection with the Norfolk & Western we have at least this satisfaction, that had it not been for our readiness at all times to liberally finance the company's wants, in which you and Messrs. Boissevain & Co. have at all times been prepared to join, the Norfolk & Western Co. would not to-day enjoy the position, in railroad circles at least, which it now holds; nor would it probably be looked upon in financial circles as worthy of the credit which it now does enjoy. . . .

P. S. I shall not wish to have any of the remarks made above understood as if we desired to shirk responsibility

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for anything which has been done with our approval in the past. . . . Whatever has been done is of the past, and cannot now be changed, nor is it, fortunately, too late for a change to a safe and sound policy. Perhaps it may even prove hereafter to have been for the best that this rupture has come, if it shall result in forcibly opening the eyes of the friends and advisers of the company, showing them whither the latter is now drifting. . . .

In later letters to Fleming he would occasionally mention Norfolk & Western, and give his views along the lines laid down in a letter of October 4, 1892:

I thank you for the information which you give me concerning President Kimball's financial plans, and if you can prevent him, for a number of years to come, from further borrowing and increasing his fixed charges, and if you can, at the same time, induce some of his friends not to further tempt him by continually proposing to market the company's bonds, you will then have well served the company's interests, both so far as concerns its creditors and its shareholders. . . . I assure you, dear Mr. Fleming, if I write you thus frankly, it is solely because we continue to take a warm interest in the welfare of the Norfolk & Western Co., for we have not the least desire to spoil the pot from which we have eaten; on the contrary, we wish to see the company prosper.

The Norfolk's finances were unequal to the drain of the lean years which followed, and by the end of 1894 both Fleming and Boissevain were favoring a reorganization, in which Schiff's letters display a natural interest. The reorganization was completed in 1896, and transactions of a sporadic nature were resumed with Kuhn, Loeb & Co. Control of the Norfolk, as one of the important "soft coalers," was acquired in 1901 by

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the Pennsylvania Railroad, and Schiff was later interested in it chiefly as a friend of that system.

Schiff's interest in the finances and securities of the Denver & Rio Grande Railroad is mentioned in his letters as early as June, 1884. At that time the Denver, like so many other roads, was facing a reorganization, which proved a laborious affair and was carried out only in 1886. With its mileage increased from 1,317 to 1,686, substantial reserves established for improvements and new construction, and with fixed charges reduced to a tolerable figure, the road, then under independent control, embarked on a fresh career.

On August 15, 1888, Schiff wrote to Cassel from Bad Gastein that Kuhn, Loeb & Co. had made an arrangement concerning an issue of the company's 5 per cent. Bonds, guaranteeing that at least \$2,000,000 would be taken by the company's shareholders and holders of scrip. Encouraged by the success of this issue, the syndicate promptly called the option which it had secured on an additional amount of the bonds; but the western railroads generally were having hard sledding, and the market lost some of its enthusiasm for Denver securities. On February 26, 1889, he writes to Cassel:

These Bonds do not seem to be in great favor, in spite of all the efforts that have been made, although they ought to be very attractive as a speculation at present prices. I do not think there is a great risk in buying them. The net income of the company in any case exceeds the interest requirements considerably, and if western railroad conditions improve, the Denver must also profit. . . . We must wait, that is all.

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Things did not go well with the company, and in August, 1891, he wrote to Cassel that he felt the management, though honest, was incapable, and that he agreed it appeared necessary to place others in charge. The next month Cassel mentioned the advisability of having an outsider inspect the system and make a formal report, to which Schiff responded:

I personally do not lay special importance upon investigations by professional experts, because even the most skillful railroad man, cannot, by riding over an extended system once, form an accurate picture of the situation. In order to form a proper judgment about the management and resources of a road, an investigator ought to stay at the operating headquarters for several months, so that he can report intelligently about possible weaknesses in management and remedies therefor.

A later letter to Cassel, June 24, 1892, indicates that the company's management and condition had improved, and that there was talk of declaring dividends, regarding whose advisability Schiff, with Coppell, the head of the road, seemed uncertain. After this time there are only occasional references in his letters to the Denver & Rio Grande, although his firm joined with other bankers in the purchase of two issues of the road's securities during 1898 and 1899, aggregating \$6,500,000.

In January, 1901, out of personal regard for Coppell, he accepted election as a director of the company, member of its executive committee, and, with the president, E. T. Jeffery, of a special committee to "conduct certain negotiations now in hand." This phrase referred to the acquisition by the Denver &

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Rio Grande of the Rio Grande Western and of the Utah Fuel Company.

Meanwhile, the growing power of the Union Pacific, to whose success Schiff was now so largely committed, gave increasing concern to the Denver & Rio Grande and to the Goulds, who now represented its chief interests. Schiff was asked to lend his efforts toward peace, and on February 26, 1902, he wrote to George J. Gould, to assure him that he would gladly exert whatever influence he had "to bring about the harmonious relations between the Union Pacific and the Rio Grande systems which, for the mutual interests of both, appear so essential." For a short time, at least, a friendly understanding was attained. Harriman served until 1905 as a director of the Denver, and Gould as a director of the Union Pacific. But the arrangement was abruptly brought to an end when the Gould interests began construction of an independent outlet to the Pacific.

Schiff's most intimate and personally active business relations, particularly after the earlier period, were with the Pennsylvania, Great Northern, Illinois Central, and Union Pacific railroads, to mention the order in which he became connected with them. The operations of Kuhn, Loeb & Co. as bankers to the Pennsylvania¹ went back to 1881 and involved sums aggregating, at the time of Schiff's death, about a billion dollars. Throughout most of that period Schiff himself made the financial arrangements, maintaining close friendships with its officials, who frequently sought his advice in re-

¹ See H. W. Schotter, *The Growth and Development of the Pennsylvania Railroad Company, 1846-1926*, esp. pp. 284, 289, 292, and 309.

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gard to the road's financial problems. He seems to have taken an especial pride in his firm's connection with the Pennsylvania, even more because of its notable record than because of the magnitude of the transactions which it brought to him.

The early connections are only meagerly recorded. While they by no means attained the proportions of later years, between 1881 and 1892 the company sold to Kuhn, Loeb & Co. \$20,000,000 of 4½ per cent. Mortgage Bonds. An early indication of Schiff's interest in the Pennsylvania's expansion as well as in its financial plans appears in February, 1892, when he suggested to President George B. Roberts that, in view of the recent combinations of the Reading, it would be important for the Pennsylvania to get control of the Delaware & Hudson, and thus obtain a direct line into northern New York and New England, and large coal tonnage. If Roberts agreed, then Kuhn, Loeb & Co., would bring their influence to bear, as it was probably impossible to purchase a sufficient amount of stock to obtain control. The ultimate result of these early feelers for a "community of interest" will appear presently.

The Pennsylvania is one of the few large American railroad systems which has not been the creation or the instrument of one man or of one family. Its presidents almost invariably have been technical railroad men trained in the company itself, who have risen to their position by promotion. The direct conduct of financial negotiations was therefore usually in the hands of other officials, specially delegated to the task, and it was with these that Schiff had most of his immediate relations; in the earlier period, with Captain John P. Green, and later with Henry Tatnall. In these negotiations Tatnall

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states that the characteristics of Schiff which impressed him most were his directness, courage, and fair-mindedness; that he never hesitated, and that as a rule even the largest of the transactions was completed in half an hour, with a memorandum for a contract written in a few lines.

During the years 1892 to 1899 Kuhn, Loeb & Co. continued to act as bankers for the Pennsylvania, the scale of operations rising slowly with the growth of the road. A new administration took office in June, 1899, Alexander J. Cassatt being elected president, and Samuel Rea (who later became president) one of the vice presidents. Under their direction, the Pennsylvania embarked upon what was then a new venture in American railroad policy. E. Clarke Fowler, in a sketch of the career of Samuel Rea, describes the plan and its results, and quotes Rea's own characterization of the part which Schiff played: ¹

"It will be recalled [Rea said] that ruinous competition between 1892 and 1899, accompanied by a serious financial panic, had so reduced railroad rates that a great part of the mileage of the country reached the hands of receivers. To arrest this senseless competition . . . the Pennsylvania Railroad joined with other owners in what was known as the 'Community of Interest Plan' and bought a substantial interest in the Baltimore & Ohio, Chesapeake & Ohio, and the Norfolk & Western companies, and helped to strengthen other similar situations."

The responsibility of much of the work [continues Fowler] in supervising the purchase of stock in these several railroads fell on Mr. Rea's shoulders. . . . In addition,

¹ In *Pennsylvania Railroad Information for the Public and Employees*, for October, 1925.

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he supervised the acquisition, in close contact with the late Jacob H. Schiff, of 43% of the Reading Company stock, which was subsequently divided equally between the Lake Shore & Michigan, and the Baltimore & Ohio Railroads, as the laws of Pennsylvania prohibited its acquisition by the Pennsylvania Railroad. As public approval was not given to this 'Community of Interest Plan,' and as the objects for which the investments had been made were largely accomplished, the Pennsylvania subsequently disposed of its interest in the Baltimore & Ohio and the Chesapeake & Ohio. . . .

To return to Rea's own words:

I feel that between 1899 and 1907 American railroads made the greatest strides in sound finance and service. Nor must I fail to place in this period the able support and advice of my friend, Jacob H. Schiff, to whom railroad investors owe so much. His ability as a banker, his ripe experience, his broad sympathies, and his pride and interest in the sound financing of the Pennsylvania system and its allies deeply impressed me. His services should not be measured by selfish interest, but by what he did for the railroad situation as a whole, even though, sometimes, it was not profitable to his firm.

These large developments involved correspondingly large financial operations, and accordingly, during the next few years, the volume of the Pennsylvania's transactions with Kuhn, Loeb & Co. rose to their full height, the total during Cassatt's administration alone amounting to nearly half a billion dollars. In the far-reaching negotiations which the community of interest plan made necessary, Schiff, with his extensive connections in the railroad world, naturally took an active part, by innumerable discussions and written communications.

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His unreserved desire to stand behind the Pennsylvania is shown in a letter to Rea of January 2, 1902:

The firm has also a letter from Captain Green, whose desires have our best attention, and I may add that the Captain and you can dispose of our resources and cash as if these were the company's own.

The construction of the Pennsylvania tunnels under the Hudson and East Rivers, to give the road direct access to Manhattan and Brooklyn, and the erection of suitable terminals were projects in which Rea took a leading part, and in which Schiff supported him to the utmost. There was opposition within the councils of the Pennsylvania, some of whose stockholders felt that the plans were extravagant and would prove burdensome; and there was also opposition from political and other interests on the outside. So far as the city of New York was concerned, Schiff felt certain that these plans were equally to its advantage, and he used such influence as he had to convert others to his view. Thus he wrote to Isidor Straus, on October 24, 1902:

The unjust obstacles which have been thrown in the way of the Pennsylvania Railroad should be speedily removed. . . . I think all good citizens should coöperate to aid in the carrying out of a scheme which certainly must enhance the supremacy of New York.

In 1903, the Pennsylvania, in order to raise more capital for the construction of its New York tunnels and terminals without increasing its fixed charges, offered to its shareholders slightly over \$75,000,000 (par value) of its stock, at 120 per cent. As the stock was selling at about 143 per cent. in the market at the time, the directors deemed it unnecessary to have the offer under-

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written. Owing to changed market conditions, and to the fact that the offering was not protected by an underwriting syndicate, the market price of the outstanding stock declined steadily, and when it fell as low as 125 per cent. it became evident that the offering of new stock would meet with failure, unless immediate steps were taken to guarantee its sale. The Pennsylvania thereupon turned to the bankers, and on May 27, 1903, a syndicate was formed by Kuhn, Loeb & Co. and Speyer & Co., to purchase all stock not subscribed for by the shareholders—a far more difficult operation than if the offering had been originally underwritten.¹ On July 10th Schiff wrote to Harriman:

I am not a great believer in the market, and see that there are too many skeletons in the various closets yet. Moreover, every corporation, except the Pennsylvania, needs money, some of them very considerable amounts, and there is absolutely no demand for securities.

By the autumn, conditions had improved somewhat, and Kuhn, Loeb & Co. arranged for two 4 per cent. bond issues of \$10,000,000 each, to subsidiaries of the Pennsylvania, the Long Island Railroad, and the Philadelphia, Baltimore & Washington. The construction programme, however, was by no means completely financed, and on January 5, 1904, Schiff wrote to Cassel:

The Pennsylvania Railroad will need \$50,000,000 again this year to carry out its construction program. In order to raise that sum they are going to issue new stock next

¹ See Cleveland and Powell, *Railroad Finance*, pp. 24-25; Ripley, *Railroads: Finance and Organization*, pp. 136-137; Article on Schiff by "Holland," in *Philadelphia Press*, August 22, 1903; *New York World Magazine* Section, April 16, 1905.

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year, and we have made an arrangement to advance \$50,000,000 to them for the interim.

A note issue was made on February 1st, for reasons indicated in a letter to Cassatt, which Schiff wrote on February 10th, just before his departure for Europe:

Now that you have secured the money your company will require during this year, I am going away with a much easier conscience than I could have otherwise done, though my partners would have been entirely competent to attend to this, had I gone away before the transaction was completed. The fact is, we all felt towards the end of last week that the outbreak of the war between Russia and Japan was very near at hand, and we concluded to take no chances and to secure the \$50,000,000, even if it had to be done at the risk of interfering with the subscription for the Long Island Bonds, the preparations for which had just been completed. As it is, we worked off anyhow almost \$7,000,000 of the Long Island Bonds, and had not the outbreak of hostilities and the Baltimore fire both come together just a day before we opened subscriptions, the bonds would have all gone off with much *éclat*. But we are entirely satisfied, as the comparatively small balance left can now be sold gradually as wanted.

Henry Tatnall, president of the Franklin National Bank of Philadelphia, of which Schiff had been a director, at this time became treasurer of the Pennsylvania, and vice president in charge of finance. Many of the large transactions thereafter were carried out on the basis of direct negotiations between Schiff and Tatnall, who recalls that the next year Cassatt came into his office and told him that he would have to go to New York to raise \$100,000,000. When Tatnall naturally

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asked where he was to get it, Cassatt said: "Go to Kuhn, Loeb & Co. first, and then to other bankers if necessary." He went to New York and laid the project before Schiff, who in less than a half hour agreed to find the money. The securities finally decided upon were $3\frac{1}{2}$ per cent. Bonds, convertible into common stock—a semi-speculative feature which was at that time growing popular. The two banking firms—J. P. Morgan & Co. and Kuhn, Loeb & Co. being associated in this transaction—agreed to purchase at par any part of the issue not subscribed for by the stockholders.

The money markets of the world at the time were all at high tension—the Russo-Japanese War was still an important factor—and the bankers' syndicate finally had to take over the largest part of the issue. Writing to his son, then in Europe, on May 16, 1905, Schiff said:

You already know that the Pennsylvania Bonds did not go—there being nothing else to expect in view of the changed conditions on the stock market. We are now engaged in distributing the bonds, and the syndicate will have to wait quietly for the next upward movement.

In January, 1906, Kuhn, Loeb & Co. placed another \$20,000,000 in Notes, and again in May of that year \$50,000,000—at a time when other prominent bankers thought the market would not absorb the issue. Within six weeks the problem of raising funds (\$50,000,000 more) came up again. The American market, so far from improving, had grown even worse. Tatnall recalls Schiff's saying that the new loan could not be floated in America, and that most of Europe was in the same position; the only country with money available

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for investment was France. The French, however, were notoriously unwilling to deal in dollar securities, and so the device was employed of offering the loan in francs. The arrangements were made primarily through Schiff's old friend, Noetzelin, of Paris, and thus a new foreign market was opened to the securities of the Pennsylvania. The loan was promptly taken, in the amount of Fr. 250,000,000 (about \$48,000,000).

Schiff was away, on his visit to Japan, at the time the transaction was finally arranged. When he returned to New York in June he wrote to Paul Warburg:

It is a pity that sentiment on the stock market here, because of the money situation, is so unfavorable, and that, as a result, the net effect has not been very appreciable. Nevertheless, the news has had a favorable influence on the market to-day, because if the transaction had in the end not been successful, the market would have broken down completely.

During the summer, Kuhn, Loeb & Co. took over about half of the Pennsylvania's holdings in the shares of Baltimore & Ohio and Norfolk & Western, and later also in Chesapeake & Ohio. Writing to Harriman, September 2d, Schiff offered him the opportunity to buy the holdings in Baltimore & Ohio, as he believed that Harriman and the Pennsylvania interests would make strong allies.

In February, 1907, there was an issue of \$60,000,000 of three-year Notes. In that year occurred the great financial panic, and conditions in both New York and London were such, Tatnall recalls, that the elder Morgan cabled from London to protest against the Pennsylvania's issuing such a large loan at that time. Schiff

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himself felt that the moment was inopportune, but that notwithstanding the disturbed conditions, the Pennsylvania must complete its programme.

The Notes were successfully placed, but the continued development of the Pennsylvania system and terminals, initiated by Cassatt and carried on by the new president, James McCrea, required that in the succeeding year, 1908, a large additional amount of capital be secured. At this time, soon after the panic of 1907, there was a renewed disinclination on the part of the public to buy investment securities, no matter what their quality, and long-term bonds were practically unsalable in any large amounts. After protracted and very difficult negotiations, Schiff, who happened to be in England at the time, arranged for a simultaneous issue in London and New York of Consolidated (in effect First) Mortgage forty-year Bonds, of which £4,000,000 were placed in London by Baring Brothers & Co., Ltd., and N. M. Rothschild & Sons, and \$20,000,000 by Kuhn, Loeb & Co. in New York. The offering was a great success, but the importance of the transaction was not so much that it provided the funds needed by the Pennsylvania, as that it served to break the then existing deadlock in the bond market, in which there was in effect a buyers' strike, and to restore confidence in American investment securities.

In November, 1912, Rea was made president of the Pennsylvania—an election which greatly pleased Schiff, who wrote:

November 13, 1912.

MY DEAR MR. REA:

I am just in receipt of your note of yesterday, which

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gives me unlimited gratification. You have reached the great office you are about to be called upon to fill through efficient and constant work and I am sure there will be hardly any one of your associates whose good will you cannot be certain of as you assume the presidency of the great Pennsylvania Railroad Co. To me personally—as I have said already—the gratification is very great. I vividly recollect the time I first met you—some thirteen years ago. . . . Our friendship, which has since continued unabated, has always been a source of the greatest pleasure to me, and one of the most cherished acquisitions of my business career. I am waiting for the official announcement of your election to cable to our mutual friend, Sir Ernest Cassel, who will be greatly interested. . . .

Always your friend,
JACOB H. SCHIFF.

Through his relations with the Pennsylvania, Schiff appears to have come in contact with Chesapeake & Ohio financing during 1903, when the Pennsylvania acquired a large voice in its control. In July of that disordered year, he wrote to Paul Warburg that Kuhn, Loeb & Co. had made a small loan to the road, for one year, and that this new connection might have some value when times became normal again.

In December, 1906, when the Pennsylvania disposed of many of its share-holdings in other roads, its representatives were expected to retire from the Chesapeake board, though Schiff hoped they would not have to do so. Kuhn, Loeb & Co. acquired the Pennsylvania holdings, and it was desired that Schiff or one of his partners should accept a directorship in the Chesapeake; but this, he explained, could not very well be, since he and

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his partners were withdrawing even from the directorships which they were then occupying.

The representatives of the Pennsylvania did not finally resign from the board until February, 1909. That year Edwin Hawley purchased control of the Chesapeake from Kuhn, Loeb & Co., who, however, retained an interest, because, as Schiff wrote to James Stillman, he thought that Hawley and his associate, Frank Trumbull, would make every effort to develop the road. Schiff maintained cordial relations with Hawley and took a keen personal interest in the development of the property. He participated in many discussions with a view to helping the Chesapeake secure control of the Hocking Valley Railroad and was instrumental in shaping the policies of the company in such a way as to bring the road to a high point of efficiency, which may be said to be the basis of its present prosperity. This is best evidenced by the purchase in March, 1914, by Kuhn, Loeb & Co. and the National City Bank, which was associated with them, of \$33,000,000 of five-year Notes, in the contract for which it was provided, mainly on Schiff's insistence, that "out of its net income earned after April 1, 1914, the Company shall pay to the Trustee, in . . . quarterly instalments, . . . a sum of \$2,000,000 for the year ending June 30, 1915, of \$3,000,000 for the year ending June 30, 1916, and of \$4,000,000 for each of the three years ending June 30, 1917, 1918, and 1919 respectively, such sums, aggregating \$17,000,000, to constitute a fund to be used solely for capital expenditures."

For a number of years, and particularly during the

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earlier period, the most intimate of Schiff's personal railroad connections was with the so-called Hill roads, and the relations which grew out of it loomed very large in his activities for upward of thirty years. His connection with the Northern Pacific began at least five years before his association with Kuhn, Loeb & Co., for he writes of a transaction of Budge, Schiff & Co. as far back as 1870, in which, representing a German syndicate, they took somewhere between \$6,000,000 and \$8,000,000 of Northern Pacific bonds.

Later correspondence indicates that Schiff and James J. Hill were on intimate terms by 1886, but there is no record of early business dealings. In March, 1889, Schiff approached Hill concerning financial arrangements then under discussion for an extension of the Eastern Railroad of Minnesota, a subsidiary of the new Great Northern. That these arrangements were made is evident from a letter which Schiff wrote to Hill on May 6th expressing his pleasure at the changes which had taken place in his board, and the alliances which he had made, and informing him that Kuhn, Loeb & Co. had been able to price his $4\frac{1}{2}$ per cent. Bonds above par; furthermore, that the entire block of Bonds taken had been placed for permanent investment.

The two men became more closely associated as time went on, and Schiff was deeply interested in Great Northern affairs. He did not however carry on any considerable financing for the road, because it was Hill's policy, whenever possible, to secure capital from the stockholders, rather than from the general public.

The Northern Pacific was at that time in the hands of Henry Villard, journalist and financier. Schiff was not much impressed with Villard as a business man, but

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granted proper management, he wrote to Cassel, on September 23, 1889, "there is no doubt that the Northern Pacific is the most promising enterprise on the continent." During that year, he was discussing with Cassel the proposition of the road to issue \$13,000,000 of bonds. To Villard he wrote on December 12th, expressing the desire of his firm to have as near as possible half of that amount, to satisfy the commitments which they had already made. A year later they considered participating in a group organized to take over 120,000 shares of Northern Pacific Common and 100,000 of Northern Pacific Preferred from the North American Co., which had broken down.

A dinner was projected in honor of Hill, in May, 1893, to celebrate the completion of the line from St. Paul to Puget Sound. Schiff could not attend, but he wrote a letter to the committee in charge, which gives an idea of his relationship with Hill at the time, and the high opinion which he entertained of Hill's ability:

Mr. Hill is not only a great railroad builder and manager, he is also an able financier, a man of sterling character, whose aim it ever is to serve faithfully every interest confided to him, be it that of the stockholders in his great company or of the states and communities which his railroad has to serve. It is through men of the stamp of Mr. James J. Hill that our country has become great and respected; and to call Mr. Hill townsman and friend, and to be permitted to honor him, is a privilege which I am happy to see the citizens of your great city know how to appreciate.

Schiff had been elected a director of the Great Northern, and in that capacity felt the need of full information about its affairs. The road was managed from St.

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Paul, but the fiscal office was in New York. To Hill, Schiff wrote, June 28, 1893, that the New York office appeared to be kept in the dark, whereas it should know months ahead with what it had to deal; later, he wrote that if a proper system could not be inaugurated to keep the New York office informed, it would be useless to have New York directors or a New York office.

By 1894, Villard's career was over. Northern Pacific had fallen into difficulties, and a reorganization was required. Its failure had a particularly depressing effect on the continent of Europe, where large amounts of its securities were held. Schiff wrote to Cassel, October 26th, about the difficulties of several large railroads:

The Northern Pacific reorganization appears to be the most difficult task of all, and it will no doubt take several years before a sound reconstruction of that company's finances can be accomplished. E. D. Adams, who is at the head of the Northern Pacific reorganization committee, is very able, as you know, but he has a herculean task before him. In my opinion your friends of the Deutsche Bank could do nothing better than to induce Mr. James J. Hill to interest himself in the affairs of the Northern Pacific Co. No one else so thoroughly understands everything concerning the traffic of the territory through which the Northern Pacific runs, and he has proven in the management of the affairs of the Great Northern what can be done by thorough attention and management on strict business principles, even in the face of the most adverse circumstances. . . .

It would certainly be of immense advantage both to the Northern Pacific and the Great Northern if the two systems should come into close relationship, and it would

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increase the net earnings of both companies, but especially of the Northern Pacific, many hundred thousands of dollars if—instead of the competitive trains now being run and the many expensive duplicate agencies now existing—under harmonious relations, trains were arranged under a mutual understanding and joint agencies were established. You remember the warfare that existed for many years between the Chicago & North Western and the Chicago, Milwaukee & St. Paul, until finally the stockholders of these two companies stepped in and elected a number of the same men into both boards, since which time intimate relations exist between the management of both companies, to the great benefit of their security holders. . . . Our own relations with the Northern Pacific reorganization committee are of the friendliest character; in fact, we have been, and are, accumulating considerable amounts of the higher grades of Northern Pacific securities, and I believe if you could see your way to make the above suggestion to the Deutsche Bank, we could find many ways to interest ourselves jointly with you in the reorganization, to mutual advantage, but please do not understand that I would desire you to broach the subject to Doctor Siemens unless this be perfectly agreeable to you.

On December 28th he urged Hill to bring about a virtual consolidation between the two properties. Three days later he again wrote to Hill, giving a detailed financial plan, which was of such magnitude as to put it at that time among the very first of great railroad transactions. He proposed in effect an issue of \$150,000,000 of bonds, which he thought would take care of all the Mortgage Bonds outstanding, as well as of the Trust Notes and Receivers' Certificates, and leave

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a reserve of \$25,000,000 to \$30,000,000 for necessary improvements and additions. His idea of the relationship of the two companies was that the Northern Pacific, as reorganized, should be leased to the Great Northern company, with a division of the joint earnings; upon the new basis, the Northern Pacific should be able to take care of \$6,000,000 of fixed charges. Hill was responsive and yet hesitant. He came to New York later in the month, and in February was in England, where he had an interview with Cassel. During the spring the conversations between Hill and various financiers in Europe and America continued. In May, 1895, Schiff visited California, and arranged to meet Hill in Oregon, to travel with him over the Great Northern, "to have it explained both under the old and new conditions." All through the summer, Schiff was endeavoring to persuade Adams to come to an understanding with the Hill interests.

It was necessary that the courts should construe the charter powers of the Great Northern, in order that it might be determined in advance whether this new arrangement could be legally entered into. The lawsuit was decided in favor of the Great Northern, but this did not conclude the litigation, because the Attorney General of Minnesota proposed to bring a similar suit which would ultimately go to the Federal courts. This suit resulted in a decision unfavorable to the proposed merger, and on November 18, 1895, Schiff advised Hill that it would be to the best interests of the Great Northern if the plan were abandoned. Some of his associates were of the opinion that a decision should be withheld, pending a final determination of the subject in the Su-

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preme Court of the United States, but Schiff opposed this course and favored an independent reorganization of the Northern Pacific. His views prevailed, and writing to Fleming on March 10, 1896, he said:

The Northern Pacific plan is about ready to be issued through Morgans. The Great Northern is not in it.

It appeared to Schiff at this time more clearly than ever that a community of interest was necessary at least between the great roads in the Northwest. The Northern Pacific purchased jointly with Kuhn, Loeb & Co., who had in the meantime taken up the reorganization of the Union Pacific, 38,000 shares of the Preferred Stock of the Oregon Railroad & Navigation, and intended to buy more, in order that they might hold a clear majority. These arrangements Schiff discussed with Adams and with Charles H. Coster of the Morgan firm, who also urged peaceful agreements. Schiff wrote to Hill, February 9, 1897, asking for his approval by wire:

Mr. Coster thought it would be best that the Northern Pacific, the Great Northern, the Union Pacific, and the Oregon Short Line should each own and hold one fourth of the stock acquired and to be acquired. In view, however, of the efforts which it is reported have recently been made in Boston to pool the holdings of the Oregon Short Line stock in the interest of the Chicago, Burlington & Quincy (without much avail), I suggested it might be dangerous to admit the Oregon Short Line, for the present at least, into ownership of the Oregon Railroad & Navigation Co. This view was, upon discussion, adopted by both of the other gentlemen, and we thereupon concluded that all interests would be best served if the Northern Pacific retained one quarter of the purchase already

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made and received a like proportion in further acquisitions of stock; that Kuhn, Loeb & Co. cede to the Great Northern Co. a like one fourth in present holdings and future purchases, and that the other one half remain for the present as an undivided interest, in the ownership of J. P. Morgan & Co. and Kuhn, Loeb & Co., to be sold at their own discretion later on to the Union Pacific and the Oregon Short Line, either or both, provided the purpose of the purchase can thereby be accomplished, viz., (1) the securing of the permanent independence of the Oregon Railroad & Navigation Co.; (2) the election of a management which shall be pledged to the maintenance of rates, traffic at all times to be directed by shortest routes.

The plans for a common and mutual holding of the transportation companies in the Northwest were, however, not feasible. The Northern Pacific was proposing to duplicate existing lines in Idaho and Washington, which Schiff feared would precipitate a general fight. He protested in a letter to Coster, apparently with success. But the question of competing lines soon became acute, and the issue was definitely, if not publicly, joined between the two great railroad magnates, Hill and Harriman. Hill wrote to Harriman, on September 12, 1899, giving his detailed plan for harmony, first, however, sending the letter to Schiff, in order that he might be apprised of the correspondence.¹ Schiff did not believe that the differences between the two men were irreconcilable, and wrote to Hill on September 25th:

I duly received your letter, with enclosure for Mr. Harriman, which I have delivered. Mr. Harriman has been much impressed by your suggestion, though, frank as I am always with you, I should add that I think he felt somewhat

¹ The whole letter is printed in Pyle's *Life of James J. Hill*, Vol. II, pp. 42-46.

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irritated by the mandatory tone in which your letter to him was written. I explained to him that you wrote in the midst of your preparations for your departure on your annual inspection tour, and that no doubt all you intended to do was to impress him with the earnestness you felt about the subject matter of your letter. I think Mr. Harriman understands this now, and I believe I am justified in saying that, aside from his thorough desire to work in harmony with you and have your friendship, able as he is himself, he has always recognized your great ability and the value of your experience and advice.

I have not the least doubt that there will be no difficulty whatsoever in making a satisfactory arrangement between the Oregon Navigation and Great Northern companies. It is manifestly to the interest of the Navigation company to have so valuable a connection as the Great Northern, while to the latter the connection with the Oregon Navigation company for Portland and other points will be far superior to any lines it could construct and terminals it would have to acquire. The difficult element, as we all know, will be the Northern Pacific, with its aggressive and often intolerant attitude, but I believe and hope that with the influence you can yourself bring to bear, . . . and with the reasonable expectations of Mr. Harriman and the executive committee of the Union Pacific, it should not be so very difficult to bring the Northern Pacific management to a sense of the responsibility they should have, to prevent them from building needless duplicate lines, and to enter into such arrangements as should be equally satisfactory to them and the Oregon Navigation company.

He continued to act as a buffer between the two contenders. On January 29, 1900, he wrote Hill:

As to your very ingenious Oregon Railway & Naviga-

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tion proposition, I am going over it with Mr. Harriman and am trying to impress him with your ideas. This must and can be settled between you and Mr. Harriman, and I know there will be no difficulty about reaching something like your idea, provided you can get the Northern Pacific people to come into line. Mr. Harriman thinks, and in this I believe he is right, that it would be more desirable that the ownership of the stock should be divided up between the Union Pacific, the Great Northern, and the Northern Pacific, in proportion to the sums they are to guarantee, and that the leases and guarantees should be made after division of such ownership, which would make the entire arrangement ironclad for all time. My own opinion is that the Northern Pacific should put its lines from Seattle to Portland into the arrangement, so that no necessity should be created hereafter for the Great Northern and Union Pacific, either or both, to build a competing line between Portland and Seattle.

During 1900 the question of the Burlington arose, and complicated matters even more. On October 25th Schiff wrote to Crawford Livingston, of St. Paul:

As to Northern Pacific matters, I know little except that Mr. Hill, in a mysterious manner, hinted that it would not be long before he would control it.

He continued to write to Livingston, indicating that he was no longer in Hill's confidence in the matter of Northern Pacific, and informing him that it was evident that the Morgan firm was buying a great deal of the Common Stock. On December 26th he wrote to Livingston:

Mr. Hill was here from Friday to Sunday, and he came to my house just before leaving. I could not exactly make out whether he came here on Erie matters (he went home

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over the Erie Railroad) or in connection with other problems in which Morgans and he are interested.

The former allies had reached the parting of the ways.

It is necessary to go back a few years to describe clearly the circumstances which brought about the break with Hill. The Union Pacific Railroad, which was in its early days under the control of the Gould interests, got into difficulties which became so serious by 1891 as to depress the whole financial situation. On August 6th of that year, Schiff was writing to Cassel that the road would for a long time find it impossible to provide for its immense floating debt; to Hill, a few days later, that it might, after all, break down financially; and later in the week, that the floating debt would be provided for, though his own firm declined to interest themselves in it. One plan after another was brought forward during the next few years, only to be dropped. No financial group, apparently, was at once able and willing to attack the problem, and meanwhile the Union Pacific system was being seriously dismembered.

In 1895, however, Schiff decided to undertake the reorganization. He wrote to Cassel on November 3d, that he had to abandon a trip to Mexico, to his great regret, "because I am forced to direct all the preparations for the proposed Union Pacific reorganization." This quiet explanation marks the beginning of the connection which came to be the chief interest of Schiff and his firm, and which more than any other established it as one of the leading financial forces in the world.

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The success of the ultimate reestablishment of the Union Pacific and of its allied systems was in great part due to the genius of Edward H. Harriman, about whom the new interest soon began to revolve. Schiff and Harriman had known each other since 1884, soon after the election of Harriman as a director of the Illinois Central, but their close association began only with their relations in Union Pacific affairs.

Contrary to the general impression, Harriman had nothing to do with the financial reorganization of Union Pacific.¹ This was accomplished by a committee of which Schiff was a member; Kuhn, Loeb & Co. acted as financial managers, originally upon the invitation of Winslow S. Pierce. Otto Kahn states that "after the property had been acquired by the reorganization committee at foreclosure sale, Mr. Harriman was elected a member of the first board of directors in December, 1897, in compliance with a promise which Mr. Jacob H. Schiff had made to him in the course of the reorganization proceedings."

The Union Pacific had been built by a private corporation, but with the aid of loans from the United States Government, and hence the plans for reorganization depended upon the assent of Congress as well as of the parties in private interest. The Government accepted an arrangement in January, 1897, under which Kuhn, Loeb & Co., on behalf of the reorganization committee, had guaranteed a minimum bid at the foreclosure sale of more than \$45,000,000. It was Schiff's expectation that Congress would pass a Funding Bill to

¹ See George Kennan, *E. H. Harriman—A Biography*, Vol. I, pp. 119 ff.; also Vol. II, 369-372; and Otto H. Kahn, *Our Economic and Other Problems*, p. 25.

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render the reorganization possible. On January 10, 1897, he wrote fully to Pierce, who, as counsel to the committee, was in Washington at the time. He pointed out that the proposal to create a commission consisting of the Secretary of the Treasury and the Attorney General, who, with the approval of the President, should be empowered to arrange for a settlement of the Pacific Railroad debts, would have been a satisfactory solution at an earlier stage; that now, however, it appeared unlikely that the matter would be settled under the Cleveland Administration at all. He continued:

Consider that under the statement to our friends that either the Funding Bill would pass or the President would very promptly proceed with foreclosure, we have—what I believe has never been done before in financial history—secured within three days subscriptions for practically the entire \$40,000,000 which we shall require in case we shall have to buy in the property under a Government foreclosure. . . . I am quite satisfied it would create great disappointment if these considerable pledges had been asked and made for naught. Should we then risk another long delay and possible financial disturbances, which might make it much more difficult and costly to again secure the large amount now assured, when we are now in a position to reorganize promptly and satisfactorily either with or without the Funding Bill?

Unless, therefore, your faith in the willingness and fixity of purpose of the President to foreclose, should legislation fail, is shaken, I should much rather have you withhold your support from the substitute creating a commission. . . . Should you, on the other hand, have reason to believe that the President would not act as promptly as we expect, we should in such case accept the commission

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substitute, and we must then take our chances as to the future. . . .

I am aware that your position at this moment is a most difficult one, making it necessary to use your judgment alone, possibly without a chance to consult with General Fitzgerald or myself, but be assured that both of us realize this fully, and that whatever you conclude as best to do has our entire approval in advance. I should have been pleased to come over to-night to be with you, but it is important that I close up tomorrow the syndicate arrangements which went over last Friday for final adjudication, and I want to do nothing which might jeopardize the strong financial position now assured for the reorganization.

The McKinley Administration took office in March of that year, and to meet the growing Populist sentiment in Congress, apparently wished to inaugurate some form of Federal control over the road. The decrees of sale were entered by the end of the summer, but new difficulties and delays occurred, and in October the whole subject was still being discussed in the newspapers. The sale of the Union Pacific main line was effected on November 2d, but only after the committee had agreed in advance, as Schiff wrote, to "bid a sum exceeding by \$13,000,000 the amount which both the Union and Kansas Pacific lines would likely have produced had the original agreement been carried out."

At the last minute, however, the Government insisted that the Kansas Pacific sale be postponed. Schiff had conferred a few weeks earlier with Lyman J. Gage, Secretary of the Treasury, and the latter had expressed his willingness to meet any reasonable suggestions. He therefore wrote Gage, November 17th, supplying a long

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memorandum in which he recited the course of the negotiations with both the Cleveland and the McKinley Administrations. He pointed out that the committee had more than fulfilled its agreements with the Government, in letter as well as in spirit, and requested that the Administration throw no further obstacles in the way of a sale of the subsidized part of the Kansas Pacific; that the committee was willing to meet any private bidder, but would not bid against the Government, which would in consequence find itself committed to public ownership and operation of the road.

The Administration apparently insisted for a time that the Kansas Pacific question was distinct from that of the main line, and Schiff's correspondence with Gage went on at length. But in February, 1898, the efforts of the committee finally succeeded, and the new company took possession of the properties.

In September Schiff sent to Harriman his correspondence relating to Union Pacific matters, which he thought would aid him in his conferences with the officials of the road. Harriman had been made chairman of the executive committee in May, and had gone west to inspect the whole system.

One of the forerunners of the struggle of 1901 appeared in 1899, when the Northern Pacific was at odds in the Riparia-Lewiston district with the Oregon Navigation Co., which was then under joint control of the Hill and Harriman interests. Writing to Harriman on July 19, 1899, Schiff explained what had been done during his absence to keep the Northern Pacific people from stealing a march, and added:

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At the coming election of the Navigation company, the Union Pacific will get into undisputed control, so that you personally can thereafter act as chairman of the executive committees of the three companies covering the line from Omaha to Portland.

From this time on, his letters to Harriman take on almost the same intimacy, so far as business affairs are concerned, as characterized his letters to Cassel. When Harriman was in Omaha, he would write in the greatest detail about all matters which they had in common. The closeness of the relation is revealed in a letter of August 9, 1899:

Since writing you on Monday, we have completed negotiations for the purchase of about 23,000 shares of Oregon Navigation Preferred Stock held by the Northern Pacific. . . . I became convinced that there was no use in fooling any longer about this matter, and that it was unsafe to permit this stock to remain in the hands of the Northern Pacific, having learned that some people were making the endeavor to purchase the Navigation Preferred Stock not only from the Northern Pacific but also from Mr. Hill. . . . Considering it most important that this large block of stock should not remain or go into hands where hereafter an attempt might be made to interfere with future plans for a unification of the Union Pacific properties, I thought it best to acquire it while we had an opportunity to do so, and I think, aside from every other consideration, that, based on the stock's intrinsic value, we have made a very good purchase. As we shall now meet very soon personally again, of which I am most glad, there is no need that I go into further detail about this matter to-day, but I hope and believe you will be pleased with my action.

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Of the immediate condition of the road, he wrote to Fleming on October 12, 1899:

Union Pacific is doing splendidly, but as to that, all railroads are making fine showings, and they will, I believe, continue to do so for a considerable time to come. The Union Pacific has now again gotten firm hold of the Oregon Short Line and the Oregon Railroad & Navigation Co., has covered into its treasury practically all of the Common and Preferred Shares of the Oregon Navigation and all of the stock of the Short Line, and also the latter company's A and B Income Bonds. The net earnings of the three companies for the past fiscal year have been almost \$16,000,000, the fixed charges something like \$6,700,000, showing something like \$9,000,000 surplus for the Preferred and Common Stocks of the Union Pacific. That is not a bad showing for a road which was sold under foreclosure less than two years ago.

To Charles H. Coster he wrote on November 6th:

I can assure you, there is every desire on the part of Mr. Harriman, ourselves and the executive committee of the Union Pacific, to arrive at a permanent understanding with Northern Pacific and Great Northern interests, and I cannot see that there should be any difficulty in finding a basis just and reasonable to all interests concerned.

Before this time Schiff had taken a passing interest in the Chicago, Burlington & Quincy, formerly an independent line. In December, 1898, for example, he was discussing with Henry L. Higginson, of Boston, plans for refunding Burlington bonds. In 1900 both Harriman and Hill endeavored to acquire the Burlington, the Hill interests having first tried without success to

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secure control of the Chicago, Milwaukee & St. Paul. On June 14th, Schiff secured through Emerson W. Judd, of the *Railway Age*, a digest of the "present and prospective financial position" of the Burlington, and called a meeting between Harriman, James Stillman, and George Gould at his office on June 25th. Several similar conferences took place shortly thereafter, which resulted in a decision to accumulate a large holding of Burlington stock. When Schiff and Harriman began their purchase of Burlington stock, they do not appear to have been aware of the fact that Hill was also endeavoring to acquire it, as they understood his preference was to secure the St. Paul. However, it became apparent to them that no large amount could be acquired in the market, as the price of the stock had very materially advanced; accordingly, their purchases were discontinued, and the amount thus acquired was sold in the market.

That there had been no open break up to that time is shown by the fact that Schiff wrote to Hill on February 4, 1901, to inform him that they had secured control of Southern Pacific (C. P. Huntington had died the year before). Early in March, when it became definitely known that Hill was buying control of the Burlington, Harriman and Schiff, on behalf of the Union Pacific, asked for a share in the purchase but were refused. As the spring advanced, the controversy came to an open issue. Harriman and finally Schiff felt that the interests of Union Pacific were so endangered by the Northern Pacific control of Burlington and the proposed unification of Northern Pacific and Great Northern, that they determined to secure a voice in Northern Pacific itself

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through purchases of shares upon the open market. As late as April 8th, Schiff protested against the acquisition of the Burlington by the Hill roads:

DEAR MR. HILL:

Lest you might misunderstand my position and sentiments, it is proper that I should say to you, that wherever our business interests may place us, I feel it is too late in our lives to personally go apart. Friendships have little value, if they are only determined by personal interest and go to pieces upon the first clashing of interest; on my part, I can assure you, this will never be the case, as far as my esteem and attachment for you are concerned.

I have never had in anything so large an interest as in the Great Northern Co., to which I have held on until now, under every condition, these many years, because of my implicit faith in you. I have always spoken frankly to you, and I say now to you, that the manner in which this proposed acquisition of control of the Burlington has been proceeded with has not been in the best interests of the Great Northern shareholders. Since you have deemed it well that the Burlington be controlled partly by the Great Northern Co., your judgment, as to this, is to me final, but I am afraid you have permitted others to induce you, because of the personal advantage and profit they will get therefrom, to pay an exorbitant price, rather than to follow lines through which much might have been saved to the companies which acquire control.

As to the Union Pacific, it must take care of itself, as it will be able to do, but in any event, I want to feel that nothing has come between us, for I would truly be less happy if such could ever be the case, and I am

As ever, your friend,

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In spite of his protests, the Great Northern and North-

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ern Pacific on April 20th concluded a joint purchase of more than 96 per cent. of the Burlington stock.

There is perhaps no single occurrence in American financial history which created so much excitement and of which so many accounts have been given as about the contest for the control of the Northern Pacific. It was in fact of the greatest importance in its consequences, even though competent observers did not regard it as the sole cause of the May 9th panic, which was aggravated by the general outburst of speculation that had gone before. The episode moreover has been dealt with at length in the biographies of important figures of the period, and a certain amount of romance has been introduced into the whole matter, which was initially a purely economic one.¹ Undoubtedly there were questions of personality involved, and these became very strong factors, but the initial purpose, on the Harriman-Kuhn, Loeb side, was to secure for the Union Pacific protection against the growing tendency which the Burlington had displayed to invade its territory. If the Burlington was dangerous as an independent rival, it would be all the more so as a member of a Northern Pacific-Great Northern system, with which Union Pacific was already at odds in the northern Pacific Coast territory.

Schiff's own story of this epoch-making episode has been preserved in the following letter, written by him on May 16, 1901, to J. Pierpont Morgan, who was then in Europe. Being a narrative written only one week after the so-called Northern Pacific panic of May 9,

¹ See Pyle's *Hill*, Vol. II, pp. 91 ff.; Kennan's *Harriman*, Vol. I, pp. 286 ff.; and B. H. Meyer, *A History of the Northern Securities Case* (University of Wisconsin, *Economics & Political Science Series*, Vol. I, No. 3, pp. 215 ff.)

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from one of the principal actors, addressed to another, who could readily verify his statements, it is entitled to the greatest credence as an exact account of what had occurred:

May 16, 1901.

DEAR MR. MORGAN:

Since, as I am informed, you have decided to stay abroad for the present, I believe I am justified, caring much as I do for your respect and good opinion, to write to you, in an endeavor to set forth the occurrences which led to the unfortunate situation which has recently prevailed here, but which I feel has been neither of our making nor of our seeking.

To begin at the beginning, it is proper I should state that, during the spring and summer of 1900, Union Pacific interests became convinced that it would be difficult to assure full and permanent prosperity to the Union Pacific Railroad Co. without bringing about in some manner a thorough understanding and coöperation in the management of their own property and that of the Chicago, Burlington & Quincy Railroad. It was felt that, with a comparatively small expenditure, the latter company could, and in time probably would, construct a series of branches to tap many of the most important traffic-producing districts along the line of the Union Pacific Railroad, and that ultimately the Chicago, Burlington & Quincy would, in all likelihood, extend its lines into Ogden and Salt Lake City, if not to San Francisco. With this feeling on the part of Union Pacific interests, an endeavor was made to acquire a sufficient amount of Burlington stock for the purpose of ultimately securing control, or at least an influence, upon the management of the company, but after some 80,000 shares had been purchased, it was found that the stock was getting comparatively scarce and that it would not be possible to acquire

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anything like a controlling interest without advancing the price to a figure which seemed excessive, and it was thereupon decided to postpone the carrying out of this intention to a more favorable period.

In January or February last there began, then, the large and continuous buying, irrespective of price, of Burlington stock, by people known to be close to Mr. Hill, and the report soon spread abroad that the Great Northern and Northern Pacific were seeking to get control of the Burlington. I thereupon went to Mr. Hill with Mr. Harriman, and interrogated Mr. Hill upon this report which was freely circulating, to which Mr. Hill replied that neither directly nor indirectly was he interested in Burlington stock, nor did he have any intention to control the property. This was during the second half of March. I accepted this statement on Mr. Hill's part, for I could not believe that a man whom I had known and with whom I had been closely associated for some fifteen years, whom I had never wronged, but whom I had shown friendship without reserve, and whom I believed to be my friend, would willingly mislead or deceive me. It soon, however, became evident that, notwithstanding Mr. Hill's assurance, negotiations were being carried on between him and the Burlington people, for the purpose of bringing about the control of the latter road by the Great Northern and Northern Pacific companies.

We learned one day that Mr. Hill, who was then with his family in Washington, expected to go to Boston that night for the purpose of bringing the negotiations to a conclusion. Desiring to leave nothing undone to prevent what we and our associates believed would lastingly injure the Union Pacific Railroad, I arranged with Mr. George F. Baker that we should meet with Mr. Hill before the latter took his train for Boston, at Mr. Baker's house, for a conference, and, in order to be certain that we would

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meet Mr. Hill, I sent my son to the ferry to intercept Mr. Hill, who was coming from Washington, and to bring him to Mr. Baker's house, which was done. I opened the discussion by asking Mr. Hill why he had made the positive statement to me that he had neither any interest in Burlington stock nor any intention to control the company, to which he replied that he was sorry he had to mislead me, but, knowing my relations to the Union Pacific, he had found it necessary to do so. I expressed my mortification, but did not further discuss this, and continued, together with Mr. Harriman, who was likewise present, to urge Mr. Hill most earnestly not to conclude negotiations for the control of the Burlington road without first coming to some arrangement with the Union Pacific, by which the latter could and would be protected against aggressions in its legitimate territory. To this Mr. Hill replied with platitudes, and soon went on his way to Boston.

Finding we could make no impression upon Mr. Hill, I called at your office, in the hope that I would get an opportunity to discuss matters with you, but I found that you were on the point of leaving for Europe and that you were unwilling to say anything further than that you would be glad if any plan or scheme I might have would be sent to you to London for consideration. Instead of this, I thought it better to take up the subject with your partner, Mr. Bacon, who had stated to Mr. Harriman that no proposition had been made by Union Pacific interests, and until this was done, it would be difficult to determine what could be done. The contract with the Burlington had then not been finally closed. I stated to Mr. Bacon that it was a grave mistake for the two Northern roads to obtain the control of the Burlington system, which, overlapping almost every road west of the Missouri River, would bring the Northern roads, with their great power,

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at the throat of all trans-Missouri railroad interests, and would bring about a situation which would particularly be a constant danger to the Union Pacific. I further stated to Mr. Bacon that, since he had stated that no proposition had been made by the Union Pacific, I would then and there be willing to agree, notwithstanding the extravagant price which it was proposed to pay for the Burlington control, and the amount of profits which apparently had first been made by the friends of Mr. Hill, to take over and pay in cash for one third of the Burlington purchase, equal to about \$65,000,000; or, if cash was not desirable, Union Pacific interests would furnish sufficient security to assure the Great Northern and Northern Pacific interests in one third of the joint bonds which it had been stated these companies were to issue for the Burlington acquisition. Mr. Bacon then stated that it was too late, and that nothing could be done, and I then and there warned Mr. Bacon that a situation was being produced which would be intolerable to the Union Pacific and against which it would have to protect itself.

After all these efforts had failed, the Union Pacific interests held consultations and decided that, if the Burlington company had been, as it was, so much of a factor for worryment and anxiety while independent, how much more intensified these conditions would necessarily become after the Burlington had passed into the hands of the two powerful Northern roads, with both of which somewhat entangled conditions existed already in the north Pacific Coast states, and which could and would sooner or later, by reason of their control over the Burlington, bring the Union Pacific to bay both in its eastern and western territory. The methods were recalled which Mr. Hill had employed to bring down the Northern Pacific in its earlier career, and it was then and there decided that a proper protection of the Union Pacific against eventual disaster

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demanding, in the face of the situation which had been created, drastic measures to assure the Union Pacific, at all hazards, the voice in the Great Northern-Northern Pacific-Burlington situation which friendly appeals and protests had failed to obtain.

We thereupon, on behalf of Union Pacific interests, set to work to accumulate Northern Pacific stock, not with a view of actually taking away the control and management of the property from those in whose possession it was, but solely in the desire to be in a position to exercise a potent influence upon the management of the Northern Pacific, and thereby either obtain also an influence upon the management of the Burlington, or possibly direct representation upon the board of the latter. In pursuance of this, I took the earliest opportunity, after Union Pacific interests had accumulated upwards of 40 per cent. of the entire capital stock of the Northern Pacific, to inform Mr. Hill of this fact and to state to him that the only purpose in making this large acquisition of Northern Pacific stock was to bring about the harmony and community of interest which other means and appeals to him had failed to produce, and I asked him to give your partners these assurances, and appealed to him to do what was in his power to bring about this result. This was in the forenoon of Friday, May 3d. In the evening of the same day, Mr. Hill came to my house, stayed there until after midnight, and repeatedly assured me that there would be no difficulty in accomplishing what I had proposed. Evidently, however, Mr. Hill must have put no credence in the statement I had made to him of the ownership by Union Pacific, for on the following Monday the frantic buying began, both here and in London, which within forty-eight hours produced the deplorable situation and unfortunate conditions which we have recently witnessed.

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I believe your own partners will bear me witness that my firm did everything in its power to alleviate the hardships which resulted and which were not of its making, but while it is always to be deplored when the public must suffer, it is my own opinion that if this had not come and the mad speculation had run on its course for a month or two longer, something else would have happened which would have brought about much more serious disaster, of a character which possibly might have inflicted lasting injury upon the entire country.

This is the situation. I must leave it to you to judge it as you may deem right, but I trust you will accept my assurance that nothing was further on the part of Union Pacific interests than to do aught meant to be antagonistic to you or your firm, and that, as far as my partners and I are concerned, we have at all times wished, as we continue to do, to be permitted to aid in maintaining your personal prestige, so well deserved. You will find Union Pacific interests, and certainly my firm and myself, entirely ready to do anything in reason that you may ask or suggest, so that permanent conditions shall be created which shall be just to all interests and not bear within them the seed of future strife, discord, and possible disaster.

Trusting, then, dear Mr. Morgan, that you will understand the spirit in which this letter is written, and hoping that the rest of your stay abroad may be pleasant and not interrupted by any unsatisfactory events, I am, with assurances of esteem,

Yours most faithfully,

JACOB H. SCHIFF.

Hill did not take the matter so much to heart. On May 12th, three days after the panic, he sauntered into the office of Kuhn, Loeb & Co., apparently for a talk with the head of the firm, who happened to be out. He

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walked over to Felix Warburg's desk, and said, "How is Schiff?"

"Not very happy," replied Warburg, to which Hill responded:

"He takes these things too seriously."

He then made inquiries as to the health of members of the family. It was not business interests alone which softened the asperities of those days, and brought about an eventual reconciliation between the men who had engaged in the struggle, as is indicated in Schiff's letter to Hill of June 10th, obviously in reply to a letter of Hill's holding out the olive branch:

I regret very much that I did not have the advantage of seeing you again before you left for home, but I am frank to say that nothing has given me such gratification for a long time as your communication of Saturday, which I found on my desk this morning. During the last month I had possibly the most anxious hours in my lifetime, for, to say the least, it made me unhappier than I can tell you to find myself, for the first time in fifteen years, in a position where you and I could not go together arm in arm, as it has been my privilege to do these many years. Though I am something like ten years younger than you, I feel, as you no doubt do, that we are fast approaching the time when we shall have to lay down the scepter, and may this be sooner or later, I, at least, want to feel when I am called upon to go, that the friends who have confided in me shall not have any good reason to feel disappointed. You do know I have stood by you, in thought and action, in times when your friends were fewer than they are now, when the foresight you have always had had not yet been recognized by the many whose friendship is determined alone by actual results, and I assure you, dear Mr. Hill, it would have meant almost unhappiness for me if events

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would have shaped themselves so that hereafter we would have had to walk divided paths. I flatter myself that you have been feeling something akin to this, and now that ways and means have been found, with which you so readily fell in, and to which, with your great genius, you so efficiently helped to give practical form, I believe that your own interests and those we represent can be knitted together so tightly and so profitably, that before long we shall all feel that what had to be gone through during the past few weeks was not only not for naught, but that it is better that it did occur. In any event, believe me that I am sincerely grateful to you for the spirit which induced you to write me before you left for home, and, trusting that your vacation will be a pleasant and successful one, I am, with friendly assurances both for you and Mrs. Hill. . . .

Their personal relations were renewed. As late as 1914, Hill sent two portraits of himself to Schiff, and in acknowledging these he wrote to Hill:

There are few men with whom I have come into contact during my long business career for whom I feel as great and as real an attachment as I do for you.

He wrote in a letter to General James Wilson, July 10, 1917, after reading Pyle's biography of Hill:

Mr. Hill was really a remarkable man. It is true, he had his faults—who has not?—but he was thoroughly loyal to those who trusted him—in particular to the shareholders of his corporation, which latter was his fetish, and for which he was prepared to sacrifice anything, including his fortune and himself. I had a thirty years' intimate acquaintance with Mr. Hill and I believe I enjoyed his friendship to the last—notwithstanding the clash we had sixteen years ago, in the Northern Pacific episode, which, after all, was solely the result of his and my desire to do what we

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thought was necessary to defend and protect interests confided to each of us, and which at that time were running apart.

The immediate business result of the struggle was the formation of a holding company, the Northern Securities Co., which was chartered in New Jersey on November 12, 1901, though plans had been made for some time before by Morgan and Hill to "take care of Northern Pacific and the Great Northern, and assure the control of these railroads to the present holders of the stock."¹ Hill and Harriman might have been disposed to continue this struggle; Schiff, essentially a man of peace, did what he could to force a truce, and Morgan, who had shortly before that time organized the United States Steel Corporation and was recognized as a fair-minded man, was by mutual agreement conceded the position of arbiter. Writing to Cassel on November 11th, Schiff explained how the Union Pacific interests would be protected:

Although the Union Pacific is in the minority in this holding company, it will nevertheless exercise a potent influence upon the management of the two Northern lines, on the strength of its rather large holdings. In addition, the Union Pacific has made a territorial agreement with the two companies which protects it against any invasion and gives it the extensive use of important lines on the northern Pacific Coast. I believe the whole arrangement is of the greatest importance and advantage to the Union Pacific, and justifies in every way our attempt last spring to preserve the Union Pacific from damage.

But the arrangement was not to stand long. A week after the granting of the charter, officials of several

¹ See Carl Hovey's *Life Story of J. Pierpont Morgan*, p. 249.

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states took action, and a month later the Interstate Commerce Commission was doing likewise. President Roosevelt promptly took steps to have the legality of the Northern Securities Co. tested in the Federal courts by the Attorney General, Philander C. Knox, himself an astute corporation lawyer. Schiff welcomed the prompt action of the President, writing on March 24, 1902, to Lucius N. Littauer, then a member of Congress:

If the creation of the Northern Securities Co. is contrary to law, it is much better for all concerned that this should be ascertained at an early period in the company's existence.

But at the time he viewed the action itself with great alarm, not on account of the Northern Securities Co., for "that company could no doubt be dissolved without grave consequences," but because he feared a disorganization of the entire railroad and industrial affairs of the country: "there is not one important railroad which does not control competing lines, directly or indirectly, through stock holdings." He presented his views in person to President Roosevelt, and wrote to him a few days later:

April 6, 1902.

DEAR MR. PRESIDENT:

Will you permit me to thank you for your kindness and courtesy to me, when I was in Washington on Thursday and Friday last, and further for the patience with which you listened to and considered what I had to submit, concerning the pending suit of the Government against the Northern Securities Co., and the possible consequences of this. I hope, Mr. President, you will feel assured that I have no other motives, in the bringing of my views be-

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fore you, than such as come from the concern I believe I am justified in feeling, as to the distress and suffering which may possibly be brought upon the country by the conditions which I fear must result from a judicial affirmation of the claims made by the Attorney General in his bill of complaint against the Northern Securities Co. No one can have a more intense desire than I that your Administration should result in great credit to yourself and in every possible benefit to the country, nor would I wish that anything be permitted to be done in any endeavor to correct the situation which would not entirely safeguard the dignity of the Government. Believe me, Mr. President, with assurances of great respect,

Yours most faithfully,

JACOB H. SCHIFF.

Hill was confident that the outcome of the suit would be in favor of the new company, and the Attorney General was equally satisfied with the strength of his case. An adverse decision was handed down in April, 1903. While it was not the final decision, the suit going to higher courts, Schiff wrote to Samuel Rea on April 13, that though he thought its results very far-reaching, he did not feel particularly pessimistic, adding philosophically:

We shall, no doubt, henceforth find a great deal of unwillingness to embark in new affairs, but that is no misfortune, for promotion has been frightfully overdone, . . . and in this respect perhaps the Northern Securities decision may prove a blessing in disguise. The American people have a particular faculty for adapting themselves to conditions as they exist, and in due time the effects and results of even the conditions now created will wear off.

On March 14, 1904, the Supreme Court of the United States sustained the original decision directing the dis-

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solution of the Northern Securities Co., chiefly on the ground that the power to restrain trade, even though not exercised, was unlawful. Then there followed new lawsuits to determine just how the assets of the corporation should be divided. The Union Pacific wanted simply to take back the original Northern Pacific stock which it had turned over to the Northern Securities Co.; the Hill-Morgan interests, however, fought for a pro rata distribution of all assets, including the Great Northern stock, and won their point, the final decision being rendered by the Supreme Court on March 6, 1905.¹

Early in 1907, Roosevelt instructed the Interstate Commerce Commission to make a report on Union Pacific and its affiliated companies, particularly the Chicago & Alton. The President's chief intention appears to have been to curb Harriman's growing power, though it was in general accord with his programme to control corporations wherever possible.

In May, Kuhn, Loeb & Co. underwrote \$75,000,000 of Union Pacific 4 per cent. Debenture Bonds, convertible at 175 into Common Stock, which were offered to the shareholders at 90. Because of the financial tension at that time, the offering was unsuccessful, and the underwriters eventually had to take over all but \$2,000,000. When Cassel inquired as to the reason for this form of issue, and offered criticism, Schiff wrote him in

¹ For a full account of the case, see the works already referred to, and especially Kennan's *Harriman*, Vol. II, pp. 77 ff., which deals with the subsequent increase of the Union Pacific dividend, in August, 1906, a matter which created a great deal of comment. Schiff was not a member of the Union Pacific directorate at that time, having resigned on April 10, and only rejoined it for a short time after Harriman's death in 1909.

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explanation, and transmitted to him a copy of Harriman's comment:

DEAR MR. SCHIFF:

There is no one in Europe whose approval I would rather have than Sir Ernest's; even, however, to obtain that, I do not concede the correctness of his criticism. The Union Pacific is based entirely on security purchases, and its success has been obtained thereby. All the purchases have had *collateral* advantages to Union Pacific, which you understand. Sir Ernest realized the difficulties of managing the system as few others ever have after going over them as he did a few years ago, and also seemed to realize their value. The last plan for financing was yours, and perhaps more Mortimer's. I had most perhaps to do with the putting it out—yours is the credit for originating and carrying it into effect. If Sir Ernest's plan had been adopted, it would have fallen flat like Hill's, or would have killed what Baron Rothschild is quoted as calling the "goose." As it is now, we still have the bird as well as the golden eggs. This will help us market the new bonds in time. Union Pacific is all right and will continue so. It is not being run by the present President of the United States, nor will it be. I have had so many knocks that I am almost immune, but am hoping for some word of commendation. It may come from sources little expected. I am trying to write on Erie train.

Yours,

E. H. H.

(Schiff to Cassel)

June 10, 1907.

DEAR FRIEND:

I am in receipt of your kind letter regarding Union Pacific, which I have thought it proper to let Harriman read, so that he may understand your views fully, because I know he places great importance upon them. Harriman has replied to me in pencil at the bottom of

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your letter, and I am sending you herewith a copy of his reply, which is self-explanatory.

It is to a considerable extent true that we ourselves saw no other way of raising the money which the Union Pacific needed, than by issuing convertible bonds, more or less in the manner in which they are now being put out. Even now, in view of the present state of public opinion, we still do not believe that it would have been possible to carry through any complicated plan, like, for example, the creation of a holding company and the sale of its shares at a nominal price to the Union Pacific stockholders, without calling forth vigorous criticism and further attacks upon Harriman and the Union Pacific management. The issue of convertible bonds, on the other hand, has not been criticized at all, although there has been criticism . . . of the fact that the company had to make such an issue of securities to raise this money for its purchases of shares. . . .

Yours, etc.,

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In the meantime, the investigation of the Harriman lines by the Interstate Commerce Commission had been completed. The Commission found no basis for legal procedure against the several roads and recognized that the Harriman systems were in superior physical condition and managed with intelligence. Schiff was, however, very anxious to have Harriman make some concessions to public opinion, and to have the Union Pacific part with some of its holdings in the shares of other railways—a plan to which Harriman finally agreed.

In the spring of 1908, even first class bonds were most difficult to sell, as has been stated in connection with the issue in London and New York at that time of Pennsylvania bonds. The issue of these having been a

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great success, it was decided to enlist English coöperation also in the marketing of \$50,000,000 of Union Pacific Bonds which were to be put out at that time. On June 2, 1908, Schiff wrote to Cassel:

Since . . . yesterday, the arrangements for the Union Pacific issue, thanks to your energetic and valuable co-operation, have made rapid and very satisfactory progress, and Kuhn, Loeb & Co. are now arranging the details with Barings.

By the time the plans were completed, the best opportunity seemed to have passed. Nevertheless, the entire issue was disposed of during the summer.

In another year the energetic and hectic life of Harriman was drawing to a close. He had been seriously ill for some time, and Schiff had written him, from Luxor, on February 2, 1908:¹

Here I am, on board of a Nile steamer, thinking of you, while the imposing ruins on the shore remind me how hollow everything earthly is; how we strive so often for naught; how short a time we live and how long we are then dead. Take my advice, my good friend, do not work so constantly and do not go back on what you told me on the eve of my departure—that you would give up the different presidencies and content yourself with the chairmanships of the various boards and executive committees, placing on them, moreover, men of experience to share responsibilities with you. I wonder whether you have done anything in this direction?

Schiff planned to sail for Europe on September 9, 1909, but postponed his departure because of Harriman's death. A few days later he paid tribute to Har-

¹ See Kennan's *Harriman*, Vol. II, pp. 326-327.

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riman's memory, in a letter describing to Cassel his friend's last days, and the changes which his death would bring:

I have paid my last respects to poor Harriman, and we have finally got away. He did not believe for a moment that his last hour was near. Two weeks before his death I went to see him and he talked so confidently about his plans! Even six days before the end he spoke to me over the telephone, in a strong voice, and wanted to know everything. I myself almost believed that he would recover. . . . However, things turned out differently. When we laid the little man into the grave near the quiet village church, a power was buried which it will hardly be possible to replace. Certainly not in the Union and Southern Pacific. Although the companies are apparently organized in excellent fashion, the keen eye and the almost reckless energy of a Harriman cannot be replaced at once. For this reason alone, and probably also for other weighty reasons, more quiet methods will necessarily have to be pursued, and they must be chosen very carefully. . . .

This has made it necessary for me to join the board and the executive committee for the present, in which latter Morti will represent me for a while. I hope soon to be able to withdraw entirely. Kahn is to go into the Southern Pacific board, but he is at present in Europe, and therefore I do not yet know how all the arrangements will finally be made. Judge Lovett, who was Harriman's right-hand man, has meanwhile been made chairman of the executive committee, while Kruttschnitt and Stubbs who, as you know, are the technical managers of the whole system, will remain in their present positions. It is still an open question how the presidency will be filled—a question of a rather critical nature.

Schiff stayed on the Harriman directorates for only

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a short time, writing to James Stillman on January 13, 1910:¹

Nothing new has happened since you left, except that the President has sent to Congress his railway regulation bill, and also the bill providing for Federal incorporation of industrial companies. I have now gone out of the different Harriman boards and have been replaced by Kahn and Mortimer, while Wm. G. R. [William G. Rockefeller] has also gone into some of the boards, which pleases us all.

The policy inaugurated in the Roosevelt Administration with regard to the control of railroads and of large industrial corporations was carried on through the Taft Administration, although with less sensationalism. During the agitation of 1907 Schiff had written to Cassel:

I have no doubt that the United States Government is trying to force the Union Pacific to give up its control over the Southern Pacific.

At the request of President Taft, in December, 1912, subsequent to a decision of the Supreme Court of the United States, ordering the Union Pacific to divest itself of its Southern Pacific holdings, the parties in interest prepared a plan for "dissolving the common control of the Southern Pacific by Union Pacific," which based itself upon previous decisions and resultant actions in the cases of the Northern Securities Co. and the Standard Oil Co. The proposal was that all of the "interlocking" directors should resign from one company or the other, so that no person would remain a director

¹ See Anna R. Burr, *The Portrait of a Banker: James Stillman*, p. 270.

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in both, and that the Southern Pacific stock should be distributed pro rata to the stockholders of the Union Pacific, which it was thought would comply fully in spirit as well as in letter with the requirements of law. However, this and subsequent plans had to be abandoned, chiefly because of Government opposition, and finally a new one was evolved, which Schiff explained to William G. McAdoo, who had meanwhile become Secretary of the Treasury:

June 16, 1913.

DEAR MR. SECRETARY:

Referring to the suggestion which you were good enough to make yesterday that I send you some printed matter more fully explaining the plan for liquidating the ownership of the Southern Pacific stockholdings by the Union Pacific Railroad Co., in accordance with the decree of the United States Supreme Court, I enclose herein Brief, which fully, and in plain language, sets forth the plan which has been submitted to the United States Supreme Court. Together with the submission of this plan, another was likewise submitted for the taking over by the Union Pacific Railroad Co. of the holdings of the Pennsylvania Railroad Co. of the Common and Preferred Stock of the Baltimore & Ohio Railroad Co., and paying therefor in Southern Pacific shares, at the rate of share for share of the Common Stock of the Baltimore & Ohio Co. and at the rate of 80 per cent. for the Preferred Stock. This would dispose in round numbers of \$40,000,000 of Southern Pacific stock, leaving something over \$85,000,000 of Southern Pacific stock in the ownership of the Union Pacific Co., to be dealt with under the Certificate of Interest Plan, which latter plan we believe minutely carries out the purpose of the decree of the United States Supreme Court.

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The very great advantage of the proposition to dispose of \$38,000,000 Southern Pacific stock by giving it to the Pennsylvania Co. in exchange for a corresponding amount of Baltimore & Ohio stock now held by that Company is that thereby the amount of Southern Pacific stock which the market will have to absorb will be materially reduced, viz., from \$126,000,000 to \$88,000,000, a very weighty and important advantage, especially under existing circumstances, apart from the moral effect of the transaction. Incidentally, it also relieves the money market from having to absorb sooner or later nearly \$40,000,000 of Baltimore & Ohio stock, which the Pennsylvania Railroad might probably wish or have to dispose of in the market in due course, if it could not dispose of it through the consummation of the proposed transaction.

You know, of course, that the Pennsylvania is absolutely independent of anyone's influence; if the point should be made, by some very remote stretch of interpretation, that the Pennsylvania may be considered to be indirectly competitive with the Southern Pacific, it seems a conclusive answer to that point, even if it be admitted, that the proposed transaction would give to the Pennsylvania too insignificant an interest to make it anywhere near a factor, inasmuch as the amount of Southern Pacific stock which it would acquire amounts only to 14 per cent. of the total outstanding stock. Trusting that I have made myself entirely clear, and assuring you that we shall appreciate it if, in the interest of the entire situation, you will exert your influence so that this harassing condition may once for all be removed and no longer oppress the entire financial situation, I am

Yours most faithfully,
JACOB H. SCHIFF.

He sent a long telegram to McAdoo on June 26, again emphasizing how important it was to relieve the already

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strained market of the necessity for absorbing these large blocks of stock, and adding:

I am willing to personally pledge my word and faith to the President, to the Attorney General, and to you, that there is absolutely nothing behind this entire proposition but what appears on the surface, and that nothing is sought but to carry into effect the mandate of the Supreme Court in the most practicable manner under a very trying general situation.

On July 1, he wrote to Cassel reporting that the Supreme Court had, the day before, sanctioned the proposed dissolution plan, which he said they would promptly proceed to execute. By the middle of September the Southern Pacific stock had all been disposed of.

Schiff's acquaintance with Harriman was made when the latter became a director of the Illinois Central in 1884, but their first important business contact appears to have been in 1894, when Kuhn, Loeb & Co. financed for that road the acquisition of the Chesapeake, Ohio & Southwestern. When the Illinois Central bonds were to be issued that year, Schiff considered trying to find a market for them in France, and discussed the matter with Cassel and Noetzlin. The plan was dropped, chiefly because of the considerable taxes and other charges which had to be paid in France. In September, 1895, Schiff was corresponding with Harriman about the details of another loan, but from that time on Harriman's primary activity was in the Union Pacific.

Schiff's high opinion of the Illinois Central's older

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financial policy is shown in a letter of September, 1899, to Stuyvesant Fish, its president:

Let me congratulate you upon the wisdom of the policy you have pursued for many years, to spend a large sum upon betterments and additions, which, with the increase now taking place in the price of everything needed by railroads, must be a great comfort to you, as it certainly should be to your directors and stockholders. Wishing your management every further success, etc. . . .

Writing to Fish again in February, 1900, he expressed his pleasure at the adoption of a proposed step toward increased traffic:

I am glad to know that you agree with me in the opinion that, in the years before us, the most desirable railroads in the United States will be those which are in a position to handle the largest tonnage of bituminous coal. I believe with you that the Illinois Central Co. is specially favorably situated to profit by an increased demand for bituminous coal. . . . It will well pay the railroads to have their managing officers seek to specially develop this traffic, which until recently has been treated rather as a step-child.

The stock of the Illinois Central for many years had been very widely distributed, and as is usual in such cases, the proxies for voting it were almost automatically sent to the management. When the Union Pacific acquired a very large interest in the company through reinvestment of part of the proceeds of the sale of its holdings of Northern Pacific and Great Northern, a new situation arose. In the summer of 1906, the dissatisfaction of a majority of the directors with the methods of Fish came to a head, and a fight for control arose,

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which resulted in November, 1907, in the election by the directors of J. T. Harahan as president, and in March, 1908, in the dropping, by the stockholders, of Fish as a director of the company. Schiff's sympathies were wholly with Harriman and his fellow directors in their desire to remedy the evils of the Fish management, and he used all his efforts to bring Fish to a realization of the gravity of the situation and to avert an open conflict. On the eve of his departure for Japan, he telegraphed Fish from San Francisco, March 7, 1906:

May I again impress upon you that in the end you will both be much happier if you settle your differences among yourselves in a conciliatory spirit.

But Fish could not be persuaded, and toward the end of 1907 Schiff wrote to Cassel that Fish was trying to make use of the prejudice which existed against Harriman in so many quarters to reestablish his hold on Illinois Central, and had by legal action suspended the voting rights on the Union Pacific holdings of its stock; that the Illinois Central directors were sending one of the vice presidents abroad to acquaint the European stockholders with the other side of the question; and that if he, Cassel, gave the benefit of his advice, it would be very helpful: "a break with the Union Pacific would be a misfortune for the Illinois Central."

Some reference has already been made to George Gould and the railroads controlled by his family. Schiff's earliest connection with these companies was with the Texas & Pacific. He and Cassel and Fleming were all actively interested in the reorganization of the road

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after the crisis of 1884, and in July, 1886, he wrote to Cassel that Fleming, who was opposing the Gould plan (represented by the so-called Philadelphia Committee), was urging him to join his own committee, but that he had not yet made up his mind.

Kuhn, Loeb & Co. also took an active interest in other Gould roads. In 1897, his firm participated in a bond issue of \$10,000,000 for the St. Louis, Iron Mountain & Southern Railway, a subsidiary of the Missouri Pacific; and thereafter he was writing frequently about both roads. In the autumn of 1898 he engaged in discussions with Gould regarding a readjustment of the Missouri Pacific bonded debt, which he thought could be arranged under some unified plan.

The difficulties which arose between the Harriman and Gould interests after the latter acquired control of the Denver & Rio Grande have been mentioned in connection with that road. At about the same time difficulties arose between the Goulds and the Pennsylvania Railroad, particularly in connection with the Western Maryland, which the Gould system wished to use as an eastern outlet. The sharp conflict resulted, for a time, in a severance of the friendly relations between the Goulds and Schiff's firm, but with the restoration of harmony, due largely to Schiff's efforts, they were resumed.

While Schiff was in Europe, toward the end of 1904, his firm negotiated an issue of \$25,000,000 of Missouri Pacific Bonds, which were sold in the spring of 1905. He wrote to Paul Warburg, in July, 1906, that the Missouri Pacific would like to sell a further issue of \$25,000,000 of bonds, in order to carry through the new financial plans of the Wabash. But as he explained

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to Winslow S. Pierce, who was conducting the negotiations, the condition of the money markets of the world made an issue at that time impossible.

In 1908, Pierce again invited Schiff's firm, together with Blair & Co., to arrange for new financing of the Gould lines, especially the renewal of \$8,000,000 of Wheeling & Lake Erie Notes, guaranteed by the Wabash. Schiff, after consultation with the Pennsylvania and with Harriman (who was interested chiefly because of the Baltimore & Ohio), and after prolonged negotiations, agreed, jointly with Blair & Co., to advance the necessary funds to take up the notes; the understanding was that the two firms would try to reorganize the Wheeling & Lake Erie finances on a basis which would make that road once more entirely independent, and this Schiff thought would best suit the interests of the other large roads entering Pittsburgh. If the financing had not been arranged, he wrote to Cassel on August 7, the Wabash would also have had to go into bankruptcy, and

there would have been a nice muddle. Gould's ambitious plans of a direct line to the Atlantic Ocean have now come to an end, because the Wheeling & Lake Erie, whose control he now surrenders, was the integral connecting link between the Western Maryland—his eastern line—and the Wabash.

In 1909, there were negotiations for Missouri Pacific financing, concerning which he wrote to Otto Kahn, July 10:

I am quite firmly convinced that if conditions do not change, the Bond will go well, in spite of the very un-

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satisfactory statement at the end of the fiscal year. . . . I have little doubt that the Missouri Pacific, if properly managed, can even now be made a lucrative property. If, however, the mismanagement and the inefficiency which characterize all Gould properties continue, the question will only be: How long will the new bonds last before the company goes bankrupt? The proceeds of the 4 per cent. Missouri Pacific Iron Mountain Collateral Bonds, of which about forty millions are outstanding, have apparently been squandered almost to the last cent; and the same thing will probably happen in the case of the new Bonds if the present administration is allowed to proceed unrestrained in disposing of the proceeds.

What we must insist upon, before we lend our name to the Bonds, is that a standing committee of experts be appointed, with the approval of the trustee, and that without the approval of this committee, no expenditures shall be made from the proceeds of these new Bonds. Such a committee might consist of the general manager of the Missouri Pacific company, of Loree, and Cornelius Vanderbilt; but in any case the majority of its members would have to be people whom we, or rather the trustee, would approve. Another matter that must be settled is the assurance of the control of the Denver & Rio Grande Road . . . because the value of the Missouri Pacific and its bonded debt, which has increased so considerably, depends to a large extent upon the company's becoming in essence a great transcontinental line. . . .

I can hardly believe that Gould will close his eyes to the situation which I have set forth above, or refuse to follow our wishes. But if we cannot get him to do so, there is nothing for us to do, in my opinion, except to withdraw, and to let anyone else who is willing to do so be sponsor for the new financing. On that point my mind is fully made up, and no considerations of profit or mo-

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mentary success of the bond issue ought to sway us from this position.

Gould having given satisfactory assurances, the underwriting was finally arranged in the autumn. Schiff wrote to Cassel on November 21:

We have preferred, however, not to sign a prospectus as yet, but rather to have the Bonds offered to the shareholders. . . . They are very cheap, and in all likelihood will gradually find their proper level.

And to Fleming, on February 4, 1910:

The Missouri Pacific Bonds went very well indeed, about two thirds being taken by the stockholders, and the remaining \$10,000,000 we have largely placed in Europe, so that at present only about two or three millions are to be dealt with.

The financial position of the Missouri Pacific seemed, however, to be going steadily in the wrong direction. The differences of view between the bankers and the management were serious, though personal relations remained friendly, and earnest attempts were made to arrive at an understanding. In February, 1911, there were repeated rumors of a conflict for control. These were denied by Gould, who stated that there was and would be no controversy; that it had long been his intention, known to John D. Rockefeller and to Kuhn, Loeb & Co., to retire from the presidency as soon as a suitable successor could be found; after the ensuing election of directors all the important interests would be represented, and he, Gould, was to be made chairman of the board.

The attempts to find a new president were taking much time, and Schiff, on April 4, 1911, stated his view

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of the situation to E. D. Adams, who represented the Deutsche Bank of Berlin, another of the large interests involved:

I fear the committee . . . is losing sight of the fact that the men who now hold first places on important roads cannot likely be had. By continuing the efforts to secure one of these, much valuable time and, to a certain extent, prestige, is being lost. To us the present state of affairs is most trying, for the public in general, and especially those interested in the securities of the Missouri Pacific company, have in some way received the impression that the naming of the president is in our hands, which, as you are . . . aware, is by no means the case. All we can do is to urge that a decision be reached now very promptly.

Gould insisted upon the election of a man who was known to represent his personal views, and Schiff and his firm, finding further attempts at an understanding fruitless, withdrew.

Meanwhile, the Wabash reorganization was dragging along. To Bernard M. Baruch, Schiff wrote on May 7, 1912:

Though we have among ourselves discussed the lines of a reorganization plan very frequently, we have sought to avoid getting our ideas fixed too firmly, preferring to keep an open mind until we shall very thoroughly understand the full possibilities of the property, when properly reorganized. . . . We are large bondholders ourselves, and we want to see full justice done to the holders of the 4 per cent. Bonds, but at the same time we feel that the responsibility for the reorganization will attach vastly more to ourselves than to the individual members of the committee, except perhaps its chairman, and because of this, I am sure, you will coöperate with us in the framing

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of a plan which shall do credit alike to ourselves and the committee.

The Missouri Pacific itself was on the brink of reorganization, and Schiff wrote to Fleming:

In that event we should seek to unite the holders of the 5 per cent. Convertible Bonds, also of the 4 per cent. Collateral Trust Bonds, and further, of the Iron Mountain 4 per cent. Refunding Bonds, so that these different classes of bondholders shall be protected, . . . for we believe that all of these bonds are intrinsically good, and that in a case of breakdown their value can be maintained by a reorganization in *their* interest.

Shortly thereafter the outlook of the Missouri Pacific, which had suffered severe blows, particularly from the floods of the spring, was improving, since crop prospects were especially good in the Southwest. But the directors, Schiff wrote to Fleming on July 15, 1912, would oppose a reorganization of the Wabash based upon any assessment like forty dollars upon the stock, which would cost the Missouri Pacific some five millions.

In the spring of 1914, there were new rumors, again unconfirmed, that Kuhn, Loeb & Co., with some of the other interests, would buy control of the Missouri Pacific, including the Denver & Rio Grande and the Western Pacific. They did, however, seriously consider rearranging the finances of the road, and Schiff wrote to Governor David R. Francis of Missouri:

From the careful investigation which, in the short time at our disposal, we have been able to make, it does not appear that the Missouri Pacific is in a very precarious condition, and we believe that a readjustment of its finances could be made without resort to a receivership—always

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provided that the Gould influence could be entirely eliminated. The physical condition of the road appears to be quite satisfactory, and the Bush management has no doubt done well for the property.

The preliminary plan of readjustment suggested by Kuhn, Loeb & Co. was one which "should be accomplished by the voluntary action of the security holders, to the end that the heavy expense, delays, and complications involved in a reorganization based upon legal proceedings might be avoided." Schiff and his firm were willing to undertake the readjustment if the deposits of securities in response to a call demonstrated that the bulk of the security holders desired them to make the effort, but any plan they proposed would involve certain necessary precautions against new financial difficulties. In May, 1914, when a receivership was again threatened, Schiff and his partners made a renewed effort to save the road. They were asked by the company to arrange for a renewal or extension of \$25,000,000 of maturing Notes which had been issued by other bankers, but Kuhn, Loeb & Co. declined to undertake this renewal, as in their opinion a readjustment of the financial structure of the company was necessary. This the company refused, making an offer to the noteholders for a year's extension, which in order to avoid receivership most of the noteholders accepted. But the day of reckoning could not be avoided, and upon the extended maturity of the Notes in June, 1915, the company was unable to meet its obligations and went into receivership. At the request of a large number of security holders, Kuhn, Loeb & Co. undertook the reorganization of the company under a plan which was consummated in June,

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1917. This ended the Gould control of the Missouri Pacific and its affiliated properties.

In 1898 a number of the large stockholders of the Chicago & Alton invited Harriman to purchase the road. After an investigation of its condition by S. M. Felton (who shortly thereafter became president), Harriman, satisfied that it could, under more modern management, be made a very profitable enterprise, invited Schiff, James Stillman, and Gould to join with him in forming a syndicate to purchase it. Writing to Fleming, on January 5, 1899, Schiff mentioned these negotiations for control of the Alton,

in the interest of the Union Pacific, the Illinois Central, the Missouri Pacific, and the Missouri, Kansas & Texas to some extent, all of which roads can turn considerable business over the Chicago & Alton, in return for a valuable connection with Chicago.

In July, he was writing at length to Harriman, then in the West, about the plans for the Alton, and explaining that he had tried to impress the Union Pacific officials with the importance of reestablishing good relations with the Alton and turning traffic over to it. To Gould he had written shortly before, bespeaking his active support:

If all interests involved combine to clear up the railroad situation in the Middle West, great results can, in my opinion, be accomplished, which will be of lasting benefit not only to one property, but to all the different railroads which divide this territory.

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While the investigation of the Harriman roads was occupying the public mind in 1907, Schiff wrote two letters to Roosevelt, setting forth the relationship of Kuhn, Loeb & Co. to the Alton:

March 4, 1907.

MR. PRESIDENT:

The investigation of the so-called "Harriman roads" has been completed, and its results will, I assume, shortly be placed before you. Since my firm, as fiscal agents of the Union Pacific and Chicago & Alton Railway companies, have been drawn into this, I deem it proper, solicitous for your good opinion as I am, to write you in anticipation of the impressions which are likely to be conveyed to your mind by the report when the same is submitted to you.

I do not feel called upon to become the defender of Mr. Harriman, who is amply able to take care of himself, but the purpose of the investigation appeared so evident, namely, to break down not only Mr. Harriman, but with him those who in one way or other have been associated with him, among others my firm, that I cannot but protest against the methods which were employed in the endeavor to accomplish this. Was it necessary to drag forth the readjustment of the Chicago & Alton Railroad made *eight years ago*, the details of which transaction had been public property ever since, and which were now presented in a manner to make it appear as if the whole affair had happened but recently? Very probably different methods would be employed in 1907 than in 1899 to accomplish what had induced the readjustment of the Chicago & Alton Railroad, but with all of this the fact should not be overlooked, though in the investigation it was in every way sought to minimize it, that the people and the section whom the Chicago & Alton serves, have been *vastly* the gainers because of what was done. Where, in 1898, 193 tons were carried one mile, 364 tons are now carried;

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where then 120 passengers were carried one mile for each dollar of interest and other charges, 166 are now carried. Perhaps you can find a moment to give attention to an article upon this subject in the *Commercial and Financial Chronicle*, the standard expert publication on financial and economic affairs, which I am sending you by the like mail, and which fully and largely sets forth this situation.

As to the Union Pacific, from the bankrupt concern it was in 1897—indebted to the Government for some sixty millions, which no one appeared able to discharge, until we set about to accomplish this—by capable and efficient management, it has become the great transcontinental highway, highly remunerative to its shareholders, notwithstanding the keen competition of its rivals, and has been placed in a physical condition which calls forth the praise and admiration of all who use it. If, as has been disclosed in the investigation, my firm has, as the company's fiscal agent, made considerable profits in its dealings with the company, the risks connected with the various transactions, made under difficult conditions, have been exceptionally great, and I am very certain, when comparison is made with the profits usually made in large financial transactions, what has been paid to my firm will appear moderate.

Mr. Harriman, like all men of strong mind and consequently dictatorial disposition, has made many enemies, and the impression one must gain in reading the testimony taken in connection with the investigation is, that his adversaries have had their full say to the professional gentlemen who did the questioning, and that every question was framed and put with the intent to create a prejudicial impression upon the public mind.

I repeat what I have had the opportunity to state recently personally to you that, while the manner adopted in these investigations, which of necessity must inflame

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and excite the public mind, is to be regretted, I do not for a moment undervalue the good which has already resulted, and is likely to further result, from your efforts to permanently correct abuse, and that those who are hurt, even if unjustly, should feel that in the attainment of a great public purpose, the suffering of the individual counts for little.

With expressions of high respect, I am,

Yours most faithfully,

JACOB H. SCHIFF.

April 19, 1907.

DEAR MR. PRESIDENT:

I have felt very strongly that before you reach a final judgment upon the much discussed Chicago & Alton transactions, I would like to place before you my own statement of certain of the facts, which, it seems to me, must be considered before a proper judgment could be reached. It was upon my mind to address you immediately upon the close of the investigation by the Interstate Commerce Commission, but inasmuch as the purpose I had in view was not to influence the action of the Government officials, but to prevent an incorrect judgment in your own mind, which I should very much regret, I concluded it would be better to delay my letter until after the termination of the proceedings before the Commission.

This letter calls for no answer, and I make no request beyond that you carefully consider what I have to say and also the enclosed brief of Mr. Paul D. Cravath, before you reach your own final conclusion regarding the Chicago & Alton transactions which, as the result of the recent investigations by the Interstate Commerce Commission, have provoked a great deal of adverse comment, which I feel is unjust and based upon a misapprehension of the true facts.

For seven years the securities of the Chicago & Alton

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company have been in the hands of the public. So far as I know, not a single voice has been heard during this considerable period of time casting any discredit upon either the bonds or the shares of the company, nor was there any charge during all this time that the condition of the road was unsatisfactory or its charges in excess of those of other similarly situated companies; on the contrary, it is conceded that under its changed management the Chicago & Alton has been put in splendid physical condition, that its equipment is most ample, and that its service has become far better than at any earlier period in its history. Why then all this harsh criticism now, when none was made after the readjustment plan was made public? The actual facts of the case, which I ask to be permitted to submit for your careful consideration, are as follows:

Towards the latter part of 1898, Mr. John J. Mitchell, of Chicago, president of the Illinois Trust & Savings Bank, approached Mr. E. H. Harriman with the proposition that the latter buy control of the Chicago & Alton Railroad, with a view of reorganizing its finances and its management. The reasons advanced by Mr. Mitchell were that Mr. Blackstone, for many years the president and manager of the Chicago & Alton Railroad, was old; that he had permitted much of the business legitimately tributary to the Chicago & Alton Railroad to be drawn away from it; that large sums were needed to adapt the road to modern requirements and conditions; and that the directors, as well as the holders of its stock in general, of which Mr. Mitchell represented a very large holding, were desirous that new elements be placed in control.

Upon consultation with leading directors of the company, Mr. Harriman decided to accept the proposition of Mr. Mitchell, and he associated with himself Messrs. James Stillman, George J. Gould and Jacob H. Schiff, for the pur-

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pose of carrying into effect the proposed purchase and readjustment. Kuhn, Loeb & Co. were appointed financial agents to form a syndicate to furnish the necessary funds for the purchase, which were estimated at about \$40,000,000.

Mr. John J. Mitchell undertook to communicate with the stockholders of the Chicago & Alton Railroad Co., and to offer these holders the price of 175 per cent. for Common Stock and 200 per cent. for Preferred Stock. So thorough was the conviction on the part of the stockholders that the proposed change was needed, that within a comparatively short time 97 per cent. of all the shareholders accepted the proposition made by Mr. Mitchell, whereupon Mr. Harriman and his associates in the syndicate formed by Kuhn, Loeb & Co. obtained control of the property as had been contemplated.

A readjustment plan was thereupon drawn up, which had the approval of the parties most largely interested, including Messrs. John A. Stewart, John J. Mitchell and others of prominence, the former having been a director and large stockholder of the company for many years and understanding its needs and possibilities. The underlying feature was to cancel the existing high interest-bearing bonds and the high dividend-bearing stocks of the company and to substitute low interest-bearing securities: Bonds and Preferred Stock, to represent the value of the property based upon its actual cost and its past annual dividend distribution, and Common Stock to represent the future earning capacity, which it was expected it would be possible to develop by liberal expenditure on the improvement of the property and by progressive methods of management, in which the company had been wanting for many years. Under the scheme finally adopted, First Mortgage Bonds bearing 3 per cent. interest, Collateral

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Trust Bonds bearing $3\frac{1}{2}$ per cent. interest, Preferred Stock upon the basis of 4 per cent. dividends, and Common Stock were to be issued. The Common Stock was to represent the profits of the transaction, for the carrying through of which it had become necessary to raise more than \$60,000,000, while the Preferred Stock and Bonds, together with the sum which it was expected the company itself could contribute through the declaration of a dividend representing past surplus, were, it was expected, to produce an amount in cash to represent the investment which had been made by the syndicate in the acquisition of the Chicago & Alton Railroad and in the furnishing of the funds for its more immediate improvement. The scheme thus outlined was finally completed and carried into effect during the years 1899 and 1900, and in due time the new securities (excepting about \$17,000,000 of the 3 per cent. Bonds, which had been sold) were distributed to the syndicate members.

The 3 per cent. First Mortgage Bonds being considered a security of the highest grade, and great demand having developed during 1899-1900 for securities suitable for savings bank investment, legislation was sought from the Legislature of the State of New York during the session which opened in January, 1900, to permit the investment of savings bank funds in the 3 per cent. Chicago & Alton Railroad First Mortgage Bonds. Upon careful investigation by committees of the two Houses of the Legislature, a bill was passed, upon the approval of the executive committee of the New York Savings Bank Association (a most conservative body of men) authorizing the investment, and this bill became a law through the signature of the then Governor of the State.¹

In due time application was made to the proper com-

¹ The then Governor was Roosevelt himself.

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mittee of the New York Stock Exchange for an official quotation of the 3 per cent. Bonds, the $3\frac{1}{2}$ per cent. Bonds, the Preferred Stock and the Common Stock, and for permission to have these securities dealt in upon the floor of the Exchange. This Committee, long and favorably known as a most careful body, after thorough investigation of the legality and legitimacy of the securities, and the scheme of readjustment, unanimously recommended the granting of the official quotation and the admission of the securities to dealings in the New York Stock Exchange, which recommendation was thereupon approved, without any dissenting voice, by the board of governors of the Exchange, consisting of forty members of high standing. The listing application to the New York Stock Exchange stated with great fullness all of the facts regarding the capitalization, including the declaration of the 30 per cent. cash dividend, the sale of the 3 per cent. Bonds to the stockholders pro rata at 65, and the precise basis of the issue not only of the Bonds, but of the Preferred and Common Stock. There was the fullest publicity, and every feature of the transaction was fully understood by the stockholders and the investors in the securities.

The 3 per cent. Bonds, as well as the $3\frac{1}{2}$ per cent. Bonds, promptly became a favorite security and were readily purchased by the most conservative individual and corporate investors, a class of people who, as a rule, thoroughly investigate the basis upon which a security in which they put their money rests. The Preferred Stock which, in its earlier dealings, was quoted in the neighborhood of 70 per cent., before long commanded a price in excess of 80 per cent. and gradually was absorbed by investors both in the East and in the West. The Common Stock, with its speculative possibilities, fluctuated, according to the tendencies of the market, between 20 per cent. and 40 per cent. of its par value.

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During the summer of 1904 it was learned that parties in the interest of the Rock Island Railway Co. had purchased in the open market large amounts of both the Preferred and Common Stock, and it later developed that these purchasers had succeeded in acquiring \$16,000,000 out of \$20,000,000 of the Common Stock, and \$6,000,000 out of \$20,000,000 of Preferred Stock, a clear majority of the entire stock capital. The cost of these shares which finally found lodgment in the Rock Island Co. is believed to have been in the neighborhood of 35 per cent. and 80 per cent. for the Common and Preferred Stock respectively. The Rock Island company, after announcing that it had invested a large sum in the acquisition of Chicago & Alton stock, to provide funds for the payment of the required amount, issued and sold \$10,000,000 of 4 per cent. Refunding Bonds, secured by mortgage upon its railroad properties.

The credit of the Chicago & Alton had suffered no impairment and had remained unquestioned since its financial readjustment was made some eight years ago. If it has now suffered, this is solely the consequence of the manner in which its plan of recapitalization has been attacked for purposes which certainly were not in the interest of the company.

I have in the foregoing statement placed before you what I believe to be the important facts as far as they are known to me. I have drawn up this statement personally; the fact that I have done so and that I am going to submit it to you is not known to those who have been my associates in this transaction. I state this so that the impression may not come into your mind that this may be a collective and not an individual communication, for it solely emanates from the desire on my part not to be misjudged by you because of my connection with the Chicago & Alton transaction.

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Believe me, dear Mr. President, with expressions of high respect,

Yours most faithfully,

JACOB H. SCHIFF.

After the Rock Island had bought enough shares to control the Alton in 1904, a joint voting trust was formed, and it was agreed that the Alton was to be managed alternately by the Union Pacific and the Rock Island. In June, 1907, the voting trust was dissolved, and the road passed entirely under Rock Island control.

Notwithstanding this, and possibly because of the many attacks made upon the Alton readjustment, both Schiff and Harriman continued to feel a great responsibility for the Alton, even though the determination of its policies was out of their hands. It was because of this that Kuhn, Loeb & Co., with Mrs. Harriman, James Stillman and the Union Pacific, agreed in 1912 to purchase at 90 up to \$20,000,000 of Third Mortgage Bonds—a security of very doubtful value—in a final attempt to reestablish the Alton, which under the management first of the Rock Island and then of the Toledo, St. Louis & Western (the “Clover Leaf,” which had acquired the Rock Island holdings) had gone from bad to worse. Schiff wrote Fleming on June 7, 1912:

We believe that if promptly and properly taken in hand, the Alton can still make good, but the recent management has evidently been a very poor one, and must be thoroughly changed.

He added that for the time being they did not contemplate endeavoring to sell the Bonds thus acquired, but wished first to see what could be done to restore the property. Under this arrangement some \$13,000,000

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of bonds were purchased, and the proceeds invested in the property, but finally the difficulties of the Alton became such that in 1922 it went into receivership. This was primarily due to the fact that the financial structure adopted in the readjustment of 1899 of a holding company and a railroad company was changed, while the management was under the control of the Rock Island, into a consolidated railroad company, which rendered very difficult the financing of current capital needs; and to the dissipation of the company's assets, while under Clover Leaf control, by payment of improvident dividends on the Common Stock.

In the meantime the Rock Island, somewhat bowed down by its own troubles, had tried to enlist Kuhn, Loeb & Co.'s support, inviting the firm, in 1908, to participate in financing for the St. Louis & San Francisco, which had become part of the Rock Island system in 1903, and was suffering from the effects of undue expansion. It became generally known that Schiff's firm was considering the proposal, which for various reasons it did not accept. Likewise in 1909, when plans were being made by the Yoakum-Hawley group to purchase the St. Louis & San Francisco from the parent Rock Island Co., Schiff and his firm declined to participate in the purchase, and in the security issues attendant upon it.

In connection with the Chicago & Alton reorganization in 1899, Schiff had become interested in the Chicago Terminal Co., because when the Alton had acquired control of the St. Louis, Peoria & Northern from the Deutsche Bank of Berlin, Harriman and his

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friends, especially Schiff, had been asked to try to improve the status of the Terminal company. Accordingly, during 1899 and 1900, he was doing his utmost to promote its interests. He tried to get railroads with whose officials he had any influence to use the Terminal, and, on the other hand, to induce the Terminal officials to make every possible concession to the railroads, so as not to lose any tenants. When it seemed to the officials of the Alton that that road could not well afford to leave its old terminals, he wrote to Harriman, reminding him of their joint moral obligation: "If we can find any way to help the Chicago Terminal situation, I think we must do it."

He wrote long and frequent letters to the officials of the Deutsche Bank, particularly to Arthur Gwinner, explaining the difficulties of the situation and reciting in detail what he had and what he had not been able to do. Thus on February 6, 1900:

I want to repeat my assurance that this is a matter which constantly occupies my mind, and which Mr. Harriman and I are discussing almost daily in order to see whether a way cannot be found which will give more substantial value to the Terminal property.

Perhaps, he continued, it would be best to try to carry out an arrangement which had been proposed for a large Union Passenger Station at Van Buren Street and the Elevated Loop, to be used by every important road entering Chicago.

In general, he did not think the Terminal company was being properly managed. He wrote to Gwinner on May 11, 1900:

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Mr. Harriman does not believe—and in this we concur with him—the present financial basis of the Chicago Terminal company to be a sound one, or that it will be possible to give substantial value to the securities as they are at present arranged. In other words, Mr. Harriman believes that it will become necessary to lift, in some way, the existing securities, and then, in dealing with the property as part of a larger scheme, to allot to the present holders new securities which should prove more substantial than the existing issues.

The situation did not improve, and by 1904 there were serious doubts whether the Terminal Company could continue to meet its obligations. Large amounts of its securities were thrown on the market, and to a friend in Germany Schiff wrote, on May 24th:

We ourselves have bought a large part of the bonds which have been coming on the market, and shall continue to increase our holdings as the price goes down, since we continue to feel that a reorganization could only be of advantage to the interests of the bondholders, and that after a reorganization the bonds will be worth more than they are now.

Another railroad company with which Schiff had intimate contact was the Baltimore & Ohio, the centenary of which was celebrated in 1927. It is the oldest and was for many years one of the strongest of the American trunk lines. But in 1886 it began to suffer from a variety of disorders. As early as 1890, Schiff was considering with the Louisville & Nashville officials the possible acquisition of the road. In a desperate at-

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tempt to save it, its capital stock was heavily increased in 1891. During the following year Schiff took an active part in a syndicate created for the purpose of marketing the new shares.

The financial breakdown of the road occurred in the spring of 1896. Schiff mentions it in a letter to Fleming, from Florida, which indicates that he did not at the time expect to have anything to do with the reorganization. But shortly thereafter a committee was appointed to readjust the company's affairs, with the Speyer firms of London and New York, and Kuhn, Loeb & Co. as reorganization managers. Daniel Willard, the president of the Baltimore & Ohio, states that

Schiff actively participated in the work of rehabilitation and reorganization of the company's finances, which included bringing under the direct control of the Baltimore & Ohio Railroad Co. a number of properties previously controlled by leasehold, stock interest, etc., and aided in reëstablishing the financial structure of the company upon a foundation which has enabled it to grow and expand into one of the strong trunk-line systems of the country.

At that time, the long and arduous reorganization of the Union Pacific was just about being completed, and Schiff was not very eager to enter upon a similar task so soon, but having once undertaken it, he devoted much of his attention to the problem. The reorganization was carried through without foreclosure, and in 1899 the road was returned to its owners.

With the reorganization practically completed [continues Willard] Mr. Schiff, on April 11, 1899, was elected a director of the company, a position which he occupied until his resignation was accepted on June 6, 1906. During

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this period he also served on the executive and finance committees. Mr. Schiff, I am told, was a most active director, taking deep interest in the company, and strongly advocating what has now become so general in practice, a budgeting of the work of construction and rehabilitation to be undertaken during a given period.

Schiff felt that if the road was to become prosperous once more, it must be managed not only well, but with distinction, and looked both to Harriman and to Hill for advice. Writing to Hill on September 25, 1899, about the Hill-Harriman differences in general, he added:

To guide the policies to be adopted in Baltimore & Ohio, you and Mr. Harriman should likewise join hands, and if you do so, with the experience you both have, I feel entirely confident as to the future of the property.

By the beginning of 1900, he felt that the road's finances were in satisfactory condition, writing to Hill on January 29th:

As far as Baltimore & Ohio financing is concerned, I do not think you need to give yourself great concern, as the subject has been referred to a sub-committee consisting of Mr. Salomon, Mr. Harriman, and myself, and we are having frequent meetings for the purpose of settling on the best possible policy. I am quite certain that this question will be settled satisfactorily within a week or so.

The road was at that time considering a sale of Bonds with a two-year option on its Common Stock, then selling at a comparatively low price. Schiff advised that the company should, if necessary, pay as much as one half of one per cent. more for the money, but not make such a commitment as to the stock, which would prob-

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ably rise considerably within that period. He kept at the problems of management, and wrote to Hill again on June 25th:

I also agree with you that, as at present organized, the Baltimore & Ohio can not do itself entire justice . . . With your and Mr. Cassatt's aid it will be possible to shortly create an organization which shall serve every purpose and promote the company's best interests.

The Pennsylvania acquired substantial control of the Baltimore & Ohio soon after the reorganization. On May 5, 1900, writing to Cassatt, Schiff said that the Pennsylvania would have his entire support in its desire for increased representation on the board of the Baltimore & Ohio, which, furthermore, he believed would be in the interest of the property. After this time his discussions and correspondence regarding the Baltimore & Ohio were naturally held in the first instance with the Pennsylvania officials, and particularly with Captain Green, who for a time acted as chairman of the Baltimore & Ohio finance committee.

To Fleming, in the summer of 1902, he reported that the bond issue which Kuhn, Loeb & Co. and Speyer & Co. had taken in the spring was completely sold, and continued:

The Baltimore & Ohio is in excellent shape, but I agree with you that any financing it might have to do in the near future . . . should be through an increase in the share capital. I have already pressed this view upon the management, and I have little doubt, if opportunity offers, it will be adopted.

The Baltimore & Ohio was at that time desirous of ob-

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taining some \$30,000,000, to finance the purchase price of Reading stock, which under Cassatt's direction, Kuhn, Loeb & Co. had acquired in the market on its behalf.

Willard, who became president of the road in January, 1910, gives a statement of his own relations with Schiff:

It early became necessary for me as president of the company to consult with Mr. Schiff and others concerning its financial requirements, and I continued to consult with him regarding matters pertaining to Baltimore & Ohio affairs. I always found his advice helpful and constructive, and I felt particularly fortunate in having the privilege of going to him personally for his advice whenever I wished to do so. I cannot recall that I ever found him too busy or unwilling to see me, and particularly during the early days of the Great War, I sought his advice frequently.

On one occasion when the Baltimore & Ohio had large financial commitments approaching maturity and the outlook was anything but encouraging, I went to his office to talk with him about the situation, and while he was unable at the time to make any definite suggestion or commitment, he did give me a great feeling of relief, just as I was leaving his office, by saying in effect (I am not able now to recall his exact words) that while he was unable at the moment to say how the situation could be dealt with, I might rest assured it *would* be dealt with, and that I might go away feeling the utmost confidence in his assurance that we would be taken care of somehow—and we were.

I remember another occasion when I was undecided as to what particular course we ought to follow concerning some question related to our financial situation. I ex-

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plained the matter to him and he asked me what I would do if I were the sole owner of the Baltimore & Ohio, and I gave him an immediate and definite answer, because I had thought carefully about the matter, and had no doubt as to what I would do if I felt free to deal with the matter as seemed best to me. After hearing my answer he replied that I ought to deal with the stockholders as I would deal with myself; that if I, after giving the matter full consideration, had decided how I would deal with it if I were the sole stockholder, then the course of action which I thought would be to my benefit as the sole stockholder would probably be to the benefit of all the other stockholders.

While my personal relations with Mr. Schiff were of course chiefly of a business nature, it was also my privilege to enjoy his hospitality at his home on a number of occasions, and as my acquaintance with him lengthened, my respect and admiration for his ability and character as a banker and as a man continued to strengthen. I am glad that I had opportunity to know him as intimately as I did, and I feel under a great debt of gratitude to him not only because of the helpful advice which he always gladly gave when requested, but also because of his kindly and sympathetic consideration.

Through Harriman and Leonor F. Loree, whom he grew to know well while the latter was president of the Baltimore & Ohio, Schiff had close relations with the Delaware & Hudson, of which his firm were the bankers. Loree, now president of the company, furnishes the following recollection of his direct relations with Schiff:

When I came into the service of the Delaware & Hudson company on April 10, 1907, the demoralization of the

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financial market, which began in March of that year, had grown steadily worse. The company had a large floating debt due to its purchase of rail lines in Canada, trolley lines about Albany, N. Y., and in the Capital District, coal lands in Pennsylvania, and the purchase of 10,000 freight cars, which were being delivered several hundred a day. For these commitments no financing had been undertaken.

The first thing I took up was the issuance of an Equipment Trust obligation to provide money with which to pay for the cars, and this was finally placed upon the market at advantageous terms, being the last new railroad security of any consequence sold that year. Mr. Schiff was most helpful in advising with me as to its issue, and liberal in the extreme in the terms of the issue, which then and subsequently was of very great assistance in the administration of the property. The issue did not mature annually, but ran for the full length of fifteen years, 50 per cent. longer than the then usual equipment trusts. Payments in the amount of one fifteenth of the principal were to be made to the trustee annually, but considerable latitude was given as to their disposition. They could be used for the purchase and retirement of outstanding Equipment Trust Notes, or invested in securities designated by the New York authorities as suitable for savings bank investments, or invested in additional equipment to be placed under the Trust. Notwithstanding the embarrassment of market conditions, this was one of the most liberal equipment issues ever put out.

The transaction was completed on May 23, 1907, in the amount of \$10,000,000, taken jointly by Kuhn, Loeb & Co. and the First National Bank. Writing to Otto Kahn, the next day, Schiff reported that about half of the issue had been sold. By the end of another

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month he wrote Max Warburg that about 70 per cent. of the total had been sold.

The next year, 1908, he writes of another bond issue, of \$20,000,000, that in all likelihood Kuhn, Loeb & Co. would again purchase the issue jointly with the First National Bank; and that the bonds would probably sell successfully, in spite of the dullness of the investment market. But the consummation of the transaction was beset by legal difficulties and took some time, as is indicated in Loree's statement about this transaction:

In arranging for the placing of the First and Refunding Mortgage on the property of the Delaware & Hudson company the situation was quite awkward due to the fact that we were in litigation, under the Commodities Clause of the Hepburn Act, with the United States Government, and felt that we might be considered to be in contempt of court if the mortgage was made to cover the coal properties, and also to the fact that so much of the property was either leased lines, like the Albany & Susquehanna Railroad, or owned lines, like the New York & Canada. A great deal of time and patience and some ingenuity were necessary to work out this situation; and in all of these details Mr. Schiff was exceedingly patient, considerate, and helpful.

Another railroad property to which Schiff gave much of his time and attention was the Chicago, Milwaukee & St. Paul, then under the control of William Rockefeller. Between 1909 and 1913 Kuhn, Loeb & Co. took part in the marketing of securities for that road, amounting to not less than \$118,000,000, and for the subsidiary Chicago, Milwaukee & Puget Sound, of \$25,000,000.

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In May, 1910, Kuhn, Loeb & Co. placed an issue of St. Paul bonds in Paris, which Schiff thought would help to relieve the financial situation in New York. Schiff's relation to the company was, however, purely that of the banker, purchasing securities when the management desired to sell, and had nothing of the intimate nature in relation to policies which characterized his connection with such companies as the Great Northern, Pennsylvania, and Union Pacific.

It would lead too far to describe in detail all of Schiff's many railroad connections. Mention should, however, be made of the New York, Ontario & Western, with whose president, Thomas P. Fowler, Schiff was for many years on most intimate terms. In 1894, when his son was to receive training in railroad management and finance, he sent him first to the offices of the Ontario, where he spent a whole year. He frequently expressed his gratification with Fowler's administration, during which the road had progressed from bankruptcy to prosperity.

During the summer of 1885, Schiff was in Europe, where he and Cassel jointly engaged in purchases of the road's securities and deliberated with Wertheim & Gompertz, of Amsterdam, regarding plans for getting the road out of its then difficulties. Schiff was particularly anxious to see the floating debt funded, and the Preferred Stock retired, so that control might pass entirely to the Common Stock—although he had holdings in both. Letters of May, 1885, mention a contemplated issue of \$15,000,000, and later of \$17,000,000 of Income Bonds for this purpose. On his return to New York he

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learned that an arrangement had been concluded during his absence. It was not entirely what he thought it should have been; but in general he was satisfied. He took part in bond issues for the road in 1886 and 1889, and again in 1892.

In June, 1904, he wrote to Otto Kahn, then in Paris, that they were making quiet purchases of Ontario shares; and at the end of July, he wrote to a friend:

Some months ago we became impressed that the control of the New York, Ontario & Western Railroad would in due time become valuable, and be sought after by possibly the New York Central, the Delaware & Hudson and the New York, New Haven & Hartford Railroad companies, either or all, and we decided because of this that we would acquire sufficient of its stock to assure such control, assuming that 250,000 shares, out of a total of about 580,000 shares, would suffice for this purpose.

This control was in October of that year sold to the New York, New Haven & Hartford, then embarking on a renewed policy of expansion. Thereafter Schiff seems to have taken part in only one relatively small loan to the road, in June, 1907.

Between 1883 and 1886, he and Cassel were actively interested in the Texas & St. Louis, then under construction. After the crisis of 1884, a reorganization was necessary, and Schiff suggested to Cassel in September, 1885, the desirability of taking a participation, although a moderate one. By March, 1886, he seems to have changed his opinion, as he advised Cassel to dispose of his securities as soon as an opportunity offered: "I do not at all share the rosy opinion of the

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reorganization which apparently prevails everywhere.”

In the early months of 1907, when funds were virtually unobtainable in America, as Kuhn, Loeb & Co. had opened the French market to Pennsylvania Railroad bonds the year before, they were entrusted by the New York, New Haven & Hartford, which was not one of their regular railroad connections, with arranging an issue of some \$28,000,000 in France. During the New Haven's difficulties in January, 1914, Schiff wrote to Howard Elliott, chairman of the board:

In view of the permission you have expressed, we shall transmit your letter to the Paris bankers who have placed the French issue of bonds of the New York, New Haven & Hartford Railroad company, and we hope that your frank statements will carry to them the assurance that no reasonable unrest and doubt need exist in their own minds and those of your bondholders, as to any danger to their investment.

The congestion of population and traffic in large cities made the collection and distribution of freight very difficult. Nowhere was this more complicated than in Chicago, and to cope with the problem there a freight subway was built in 1905 for the use of the railroads and the shippers. Schiff took some interest in the Tunnel company, whose directorate represented the Armours, Harriman, and Stillman. He confessed to Harriman that the business was not the kind of which he was particularly fond, and his firm had gone into it only in deference to Harriman's judgment. After numerous vicissitudes, the Tunnel company found itself

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in serious difficulties, and by 1911 a reorganization was necessary.

A somewhat similar problem, having to do with the collection and distribution of passengers, existed in New York City, to meet which the Hudson & Manhattan Railroad had been promoted and constructed by William G. McAdoo and the firm of Harvey Fisk & Sons. This company found itself in financial difficulties, and upon the request of Fleming, who was largely interested, Schiff undertook to study the situation.

The road was engaged on a large scale in the so-called commutation traffic to the New Jersey suburbs. Schiff wrote to Fleming, on November 8, 1912:

I believe with you in the future of the property, but I believe the development of its earning power will be rather slow, and it must be also borne in mind that after we shall have completed in New York the extensive subway system now contemplated, people will prefer to live where they can ride for a five-cent fare, either the Bronx, or Kings and Queens Boroughs, rather than to go through the Hudson tubes to New Jersey, where they will have to pay another railway or tramway fare in order to reach their homes.

For this reason, he continued, Kuhn, Loeb & Co. had insisted that in the forthcoming readjustment of the company's financial structure, the fixed charges must be cut down very considerably, and his proposal had been carried out.

He wrote to Paul Warburg, in July, 1913, that the reorganization had been approved by the Public Service Commission, adding: "We have a lot of money tied up there, but the reorganization is a sound one."

CHAPTER IV

PROBABLY next to railways, the largest single investment interest in the United States and the neighboring countries, prior to the development of the oil industry, was in mining companies. As early as 1888, Schiff wrote to Cassel concerning Boston & Montana shares, which were attracting great attention in Europe.

Through Cassel, he was interested in the shares of the Anaconda company in 1890. The Guggenheims of New York were already largely engaged at that time in silver and lead smelting, and on May 15, 1891, Schiff introduced Daniel Guggenheim to Hamilton Smith, Jr., the manager of the Exploration Company of London:

I thought possibly an introduction to you might lead either to the formation of a direct connection between Mr. Guggenheim and your own company, or, if this is not practicable, that you might be in a position to give valuable advice to Mr. Guggenheim, how he could best establish an efficient representation in your city.

The mining properties had their ups and downs, but Schiff continued to express his confidence in Anaconda. To Cassel he wrote, September 16, 1891, that he thought that the loan of £250,000, which J. B. Haggin, head of the Anaconda company, wished to have, was one which he ought to be helped to secure; that August Belmont had been conferring with Haggin concerning the Roth-

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schild interests; that he, Schiff, had been often consulted and kept fully informed; and that it was no more than right that he should commend the efforts which Belmont had made to arrive at an understanding with Haggin. That he overcame Cassel's earlier hesitancy with regard to the company is indicated by the following letter to Haggin, of July 18, 1895:

A month or so ago, while in Montana, I met Mr. Marcus Daly, from whom, in the course of a conversation, I learned that it is the intention of the owners of the Anaconda company to place part of the stock, under the new capitalization, upon the market, so as to always have an open market and a price by which the value of the stock can be determined. If my own firm, or our very able London connections (which include Mr. Cassel, whom you know) can be of advantage to you in making a market for the Anaconda stock as lately capitalized, I should be glad to confer with you upon the subject.

On October 25th, he wrote to Hill to say that the Anaconda purchase had been completed satisfactorily. And to Marcus Daly, on October 29th:

I want to express to you my own satisfaction that the Anaconda negotiation has finally been closed, as I hope, to the satisfaction of everyone concerned. Ever since I saw your great property for the first time some four years ago, and even more so on my visit last spring, I became greatly impressed with its vastness and obvious permanent value, and I am glad that our London friends have adopted the views I endeavored to impress them with the moment we got the opportunity to make a purchase of the shares of the new company.

He wrote to Cassel from Biltmore, N. C., March 15, 1896:

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We must now both direct every attention to Anaconda, because I have no doubt we shall soon have an opportunity to buy the entire holdings of Haggin and his associates. . . . Under a proper administration, which it has hardly had heretofore, and with sufficient working capital, Anaconda should show brilliant results, unless all the available reports are misleading. Especially is this true if a combination of all copper producers can be effected—and in the long run that is inevitable.

In 1900, when Daniel Guggenheim and his brothers were undertaking the formation of the Guggenheim Exploration Co., Schiff advised a moderate capitalization. A few years later, Guggenheim had an interview with Cassel, through the intervention of Schiff, and after this interview, in December, 1904, Schiff discussed with Cassel the financing of both the American Smelting & Refining Co. and the Exploration company. On May 1, 1905, his firm placed on the market, through a syndicate, \$25,000,000 of the guaranteed "Smelters Stock," and "were so overrun with applications for syndicate participations, that we could hardly give to the most serious of the applicants one half of what they wanted." He expressed his satisfaction on December 8, 1905, at having placed 13,000 shares of the Smelters Stock in Holland, through Hope & Co. and the Bank of Amsterdam. On February 8, 1906, he wrote to Fleming:

Of the Smelters 5 per cent. Preferred Stock we have sold about fifteen millions, which still leaves some ten millions to be disposed of. This will probably prove somewhat slow work; but the security appears to me to be an exceptional one, and in time the unsold balance will no doubt find buyers.

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He kept his European correspondents informed not only about the smelting interests but also about the Guggenheim Exploration Co. and the Alaska Syndicate, which the Guggenheims afterwards formed. He took a keen personal interest in the operations of the Exploration company and maintained close personal relations with Daniel Guggenheim and his brothers, of whose ability and sound judgment he had a high opinion. He visited Alaska in the summer of 1910, and expressed himself to his correspondents as much impressed with what the Guggenheims were accomplishing there.

Schiff originally became interested in the great Westinghouse companies through Paul D. Cravath, who was George Westinghouse's counsel, as well as that of Kuhn, Loeb & Co. He wrote on May 10, 1907, to Paul Warburg, with regard to the Westinghouse Electric Co., that Kuhn, Loeb & Co. would probably have to renew the \$6,000,000 of Notes coming due in August, adding: "That is as far as we ought to go."

He felt that the finances of the company were not being conservatively managed, even though the new issue of Notes in July was sold within two or three days. To Cassel he wrote, on November 4th:

Westinghouse offers, perhaps, the best illustration of the circumstances which have largely been responsible for the present situation. Mr. Westinghouse has been warned by me personally, and by others of his friends, that if he did not place reasonable restrictions upon his enterprises, profitable as they may be, it would be impossible for his companies to renew their credits the moment a financial panic



On the Alaskan tour, summer of 1910.

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came, and that in such an event collapse must follow. In spite of all his assurances that he had as complete control of his financial situation as he had of his factories and their output, he and his enterprises have fallen victims to the first difficulties which arose in placing commercial paper. The banks in Pittsburgh, which are themselves seriously involved, and at whose instigation the Westinghouse works have been placed in the hands of three receivers, who are now keeping things under proper control, appear not to be particularly alarmed, and claim that the creditors, particularly of the Westinghouse Electric Co., have nothing to fear. Whether this optimistic view is justified, it is impossible to say at present. We rather believe that a thorough reorganization will be necessary.

He had serious differences with Westinghouse at a meeting of the board in December, 1908, but on December 31st he wrote, in response to an advance from the latter:

I am . . . very ready indeed to accept the hand which you now extend to me, and shall permit the old year to take with it all misunderstandings, and to hope from the New Year only good will and friendship from you and all men whom I esteem.

His continued sense of responsibility is shown in a letter to Edward R. Atkins, of November 24, 1911:

We feel very considerable responsibility in this office for the proper and independent management of the Westinghouse Co. As you are aware, we financed the company before its breakdown, stood back of its reorganization, and have ever since kept in close touch with Mr. Mather, the late chairman of the company. Because of this, we should not like to see anyone now placed at the head as to whom we cannot feel from personal knowledge that he is not only thoroughly capable, but independent of all in-

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fluences with which the interests of the Westinghouse Co. are not certain to be predominant. We know it is necessary and important that the Westinghouse Co. be at peace and in accord with its leading competitor, but we are very jealous lest the interest of the company may in some manner become subordinated to that of powerful competitors.

Mr. William Thorne, whose name has been suggested, appears to us—if he can be prevailed upon to accept—peculiarly well qualified for the chairmanship. He has gained great experience as purchasing director, for some ten years, I believe, of the Union and Southern Pacific system, where he has been able to maintain entire independence of any influences and has given thorough satisfaction to Mr. Harriman—who was not very easy to please—and the present management of the company. Mr. Thorne, I am impressed, has just the experience and qualifications which are needed in a chairman of a concern like the Westinghouse Co. I know you have the prosperity and success of the company very thoroughly at heart, and because of this I am writing you with such freedom, hoping whether it be Mr. Thorne, or anybody else, that no decision as to the selection of chairman be made, which shall not have Mr. Jarvie's and our own endorsement. It appears to me that, aside from any other consideration, this is a courtesy to which the voting trustees are well entitled.

James N. Jarvie, who was chairman of the Bank Creditors' Committee and had many dealings with Schiff in this difficult and not always pleasant affair, gives his own recollection of the problems of 1907:

I credit to Mr. Schiff and to his insistence on just and equitable treatment of the then stockholders and creditors, and to his sound method of finance, the resultant re-establishment of the company. He ranged himself on the side of the creditors and stockholders, he was determined

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that they be protected, and he threw all his influence on their side. Some influential factors interested themselves powerfully in pushing views at variance with those of Mr. Schiff. They tried persuasion and pressure, but found him adamant. He listened and considered, but stood out manfully and outspokenly for his judgment. He had the courage of his convictions, and on that score there was no conciliation or compromise in him. He finally won out by a sheer determination of character, standing in the background as a vigorous champion of right. The new money required was sought and admitted only on the basis of full co-operation with old creditors and stockholders.

The development of the street railways in New York—surface, elevated, and subway—was marked by many storms and political vicissitudes. When the Metropolitan and the affiliated Third Avenue companies had broken down financially and efforts were being made to reorganize them, Schiff wrote, June 17, 1909, that as for the Metropolitan, nothing probably could be done until the winter, but that the Third Avenue reorganization, on the other hand, would soon be arranged, and it ought not to be difficult to rehabilitate that company.

Large and small investors suffered in consequence of the general breakdown of the traction companies. As this situation became acute, political reformers and others attacked everyone who had been concerned in the development of the local transportation interests, among them Schiff, when he opposed an increase in the city's debt limit for further rapid transit construction. He defended his firm vigorously in a letter to R. Fulton Cutting, of March 29, 1909:

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Everyone who will go into the facts without prejudice will concede that our firm has had none but legitimate dealings, as bankers, with the street railway companies. From these dealings, we believe, it has emerged with clean hands, even if with large losses. . . . There is not a banker in New York who prior to 1907 would not without hesitation have done the financing for the surface lines which our firm undertook for these companies. Not only the Metropolitan and Third Avenue bonds were until two years ago considered of prime character, but also the shares were generally considered as of a high grade. The breakdown which has since come has, as is well understood, been brought about through conditions for which no reasonable man will attach any blame to my firm. Indeed, the latter, clinging to the hope of a prompt reorganization, took up almost \$1,000,000 worth of maturing coupons when the first defaults were made by the Metropolitan and Third Avenue companies. Why should it, therefore, not have been perfectly proper on my part to cite the breakdown of these bonds as an argument against the advisability of exempting bonds issued for subway construction from the debt limit? Have I not learned, at great personal cost, how unstable traction conditions are in New York, and may not what has happened with the surface lines in recent years, be the fate of the subway lines at some future time?

Suit was brought in 1910 by the receivers of the New York City Railway Co., in which Schiff's son, absent in Europe at the time, was named as one of the defendants. The matter naturally attracted a great deal of comment in the newspapers and magazines, which were then at the height of what was known as the muck-raking period. Although ordinarily Schiff was impervious to such criticisms, these attacks affected him

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deeply. In the course of a letter to Robert W. De Forest, he gave a history of his connection with the street railways of New York:

April 14, 1910.

DEAR MR. DE FOREST:

As I have already verbally said to you, in the absence of my son in Europe, I have been greatly distressed by the recent publication in the press of statements to the effect that he and the other defendants in the pending suit brought by the receiver of the New York City Railway Co. were anxious to settle and had offered \$5,000,000 in "restitution."

It is stated in the publications referred to that Mr. Joseph H. Choate advised the suit, and this alleged statement gives an importance to such publications which they otherwise would not have. . . . I am the more surprised at this action on the part of Mr. Choate, as our firm has for many years been a client of his own law firm, especially at the time when Mr. Beaman was Mr. Choate's partner, and any criticism, therefore, coming with the sanction of Mr. Choate's name, is infinitely more cutting to us than that of almost any other lawyer.

I am not a defendant; my son is not here to defend himself; and the charge that he is offering or anxious to make "restitution" must be resented and refuted, because untrue. No matter what the consequences may be, I would rather see him adjudged liable in court than to settle under such a charge. I am willing to sanction contribution by my son, who is also my partner, to a settlement of a legal claim resulting from an alleged mistake of law made in good faith under advice of reputable counsel, and particularly so, as the proposed settlement of the litigation at the present time will greatly facilitate the reorganization of the Metropolitan Railway system, and, perhaps, its rehabilitation, and the protection of its security holders. But I will not for

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a moment entertain the suggestion or permit the insinuation that my son, or any member of my firm, is a party to a settlement which involves any admission, express or implied, or any confession, express or implied, of wrongdoing or restitution of money. . . .

I have been compelled to remain silent altogether too long, and to submit to criticisms of my firm and associates which were wholly unwarranted. If charges in pleadings and other legal documents are unfounded or libelous, I am told that they are irrelevant, and have nothing to do with the legal points involved; if I resent to the quick charges which no honorable business man should submit to, I am told that they are privileged statements, which the policy of the law permits attorneys and counsel and advocates to indulge in; if I know that statements in the public press and magazines are grossly inaccurate and frequently wholly false, I am advised that it is beneath our dignity to engage in controversy with muck-rakers, that those who have dealt with me and my firm know that we would not consciously do anything illegal or fraudulent, and that we may rest upon our good name in the community.

The first connection of my firm with the Metropolitan Street Railway Co. was in 1900, when we were asked, as bankers, by those in control of the Metropolitan system, to purchase \$35,000,000 of bonds for the purpose of paying the debts of the Third Avenue Railroad Co., which was then in the hands of a receiver appointed by the United States Court, and for other corporate purposes. Mr. Whitney and his associates had just acquired control of the Third Avenue Railroad Co. Prior to that, we had had no connection with any of the street railroads of New York, and were not in a position to become familiar with the details of the management and operation of such properties. We are bankers, and not managers or operators of

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railroads. Prior to the receivership of the Third Avenue Railroad Co. in 1899 and 1900, its credit had been high, and from the statements then submitted to us we were satisfied that there was adequate security for the issue of the bonds, that the earnings were sufficient to provide for interest upon them, and that we were, therefore, justified in purchasing the bonds, which we did. We paid the Third Avenue company for these \$35,000,000 of bonds nearly their par value. . . .

In connection with this issue of bonds, we did everything in our power to protect the bondholders and to prevent any diversion of the bonds or their proceeds. In this transaction, we were partly advised, according to my best recollection, by the firm of Evarts, Choate & Beaman, through Mr. Beaman, and by the firm of Seward, Guthrie & Steele, who were retained after Mr. Beaman was retained in the matter. . . .

I understand that it has been asserted before the Public Service Commission that over \$11,000,000 of the proceeds of these bonds were misapplied; notwithstanding the fact that the books of the Third Avenue Railroad Co., as I am informed, show the receipt and application of all this money, that it has recently been adjudged by the United States Court that all the outstanding bonds were duly issued, and that it has been shown before the Public Service Commission that the proceeds of the bonds were properly applied. But however that may be, so far as my firm was concerned, we paid over our money in good faith for the purpose of having every dollar of the proceeds of these bonds applied to the payment of debts of the Third Avenue Railroad Co. and other proper corporate purposes.

Our next connection with the New York street railroad companies was in the winter of 1901-1902, when at the request of Mr. Whitney and Mr. Vreeland and their

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associates we entertained a proposition to reorganize the finances of the Metropolitan system and for that purpose to raise and guarantee about \$23,000,000 of new cash. The figures and estimates submitted to us fully warranted our undertaking the business. In such transactions we must of necessity rely upon statements furnished to us by those in control of and familiar with the practical operation of the property involved. We are constantly buying securities for very large sums in absolute reliance upon the truth of statements furnished by the officers of companies. Indeed, it would be impossible to do business in most cases if bankers could not rely on such statements. The business of the civilized world, and nowhere more so than in our country, is based upon confidence and credit.

The statements and estimates of probable and future earnings, upon which we undertook the formation of a syndicate and the organization of the Metropolitan Securities Company, proved to be inaccurate, and no one was more misled than we were. . . . The statements submitted to us by Mr. Vreeland confirmed the belief that the system was of great value and of great future earning capacity. At any rate, we as bankers, acting in that belief, undertook to raise and guarantee \$23,400,000.

All the facts connected with these transactions, all the documents, and all the dealings of my firm were exhaustively investigated in the Wormser suit. We acted under the advice of Messrs. Guthrie, Cravath & Henderson. The Supreme Court, by Mr. Justice Scott, decided every point in our favor and vindicated the propriety and integrity of the transactions. This was in all things affirmed by the Appellate Division and the Court of Appeals. The unanimous opinions of these three courts surely are a complete and sufficient vindication, but, unfortunately, the public generally is not familiar with them, or quickly forgets. Let it

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suffice to quote here one sentence from the opinion of the late Mr. Justice Patterson, namely: "We have sought in vain through the record to find anything to impeach the honesty and good faith of any person connected with the initiation or consummation of the transactions by which the Interurban Street Railway Co. (now the New York City Railway Co.) became lessee."

It is true that the 3 per cent. Debentures of the Interurban Company were redeemable on their face at par, and were subsequently redeemed at par. We were advised and we have always understood that bonds of corporations can be legally and properly issued below par and for their fair market value. We had for many years purchased bonds of corporations below par, and we are still doing so. It is a universal custom. In 1902, unsecured 3 per cent. Debentures of such a company as the Interurban were not worth more than 70, if indeed they were worth that figure. Certainly they could not have been sold in the market at any such figure. At any rate, I am advised and assert from my knowledge as a banker that the issue of these unsecured Debentures at 70 was perfectly legal and proper and the price reasonable. On their face, the debentures were redeemable at par. It is the universal custom to provide in all bond or debenture issues a figure at which they may be redeemed, for otherwise they could not be paid off before maturity. The provision for redemption at par of the Interurban 3 per cent. Debentures, I am told, was inserted as matter of course by our counsel and of their own motion.

It remains only to consider the legal issue involved in the pending suit. I shall not venture to discuss that in detail, and it must be left to the lawyers. But I am informed that the bonds were redeemed at par because business reasons seemed to warrant it and because counsel advised that it could legally and properly be done. As I understood

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and believed at the time, and as I understand and believe now, the directors felt that as the Metropolitan Securities Co. owned all the stock of the Interurban (New York City) company and all its Debentures, the Debentures might be properly redeemed, and that no one would be prejudiced. The fact that the redemption followed shortly after the issue is not necessarily an evidence of improvidence or irregularity, for frequently conditions change quickly and require immediate readjustments. But whether or not, legally speaking, the redemption was lawful under the existing circumstances, one thing is certain and indisputable, and that is that the directors of neither the New York City company nor the Metropolitan Securities company had any personal interest in the redemption, or profited directly or indirectly to the extent of one dollar or took to themselves or withdrew from the enterprise anything whatever. The directors may have made a mistake as to the law, and their mistake of law may involve liability, but they will never admit directly or indirectly that there was the slightest breach of trust or conscious wrongdoing.

In conclusion, I say to you that I am willing to facilitate a settlement of the claims against the directors of the New York City company at the figure of \$1,500,000, which I understand you approve and recommend, but only with the understanding that I do so because of an alleged mistake of law and not by way of restitution or admission of conscious wrongdoing. If this large payment is made, the individual directors will be mulcted for transactions which they believed at the time were proper, which were entered into in good faith under a possibly mistaken view of the law, and from which they derived no personal profit or advantage. I have deemed it well to write you at length, because I fear even you may not be fully acquainted with all the phases of the situation, and if opportunity arises

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and you deem it well to show this letter to Mr. Choate, you are at entire liberty to do so.

With assurances of high esteem, believe me, dear Mr. De Forest,

Yours most faithfully,
JACOB H. SCHIFF.

Another traction enterprise with which Schiff and his firm were at one time connected was the Brooklyn Rapid Transit subway system. Early in 1911, Anthony N. Brady took up negotiations with Schiff for the financing of this enterprise, which resulted in June, 1912, in the sale by Kuhn, Loeb & Co., Kidder, Peabody & Co., and the Central Trust Co. of \$40,000,000 of six-year 5 per cent. Secured Notes, convertible into a like amount of bonds of the New York Municipal Railway Co. which had been formed to take over the contract with the city of New York. On August 30, 1911, Schiff wrote to Samuel Rea, of the Pennsylvania Railroad, which was interested in the situation in view of its large enterprises in connection with the new station and the Hudson tubes, explaining that his firm had declined to finance the project until the Brooklyn Rapid Transit Co. had actually been awarded the contract by the city.

In 1915 an additional \$20,000,000 of Notes were sold, so that—some of the Notes having in the meantime been converted—there were outstanding \$57,735,000 when they matured in July, 1918. This maturity, coming in the midst of the war, presented a most difficult situation. It was finally arranged that new three-year 7 per cent. Secured Notes should be issued, of which the War Finance Corporation agreed to take \$17,320,000,

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on condition that holders of the maturing Notes exchange at least 70 per cent. of their holdings for the new Notes. The extension was successfully consummated, but the Brooklyn Rapid Transit company could not weather the increased cost of operation, particularly of its surface and elevated lines, without a corresponding increase in fare, and a receiver was appointed in December, 1918. The only interest of Schiff and his firm being in the subway part of the system, Kuhn, Loeb & Co. joined with Kidder, Peabody & Co. and the Central Union Trust Co. in a committee for the protection of the holders of these Notes and of the underlying New York Municipal Railway Co. bonds. A plan of reorganization satisfactory to the holders of these securities was finally adopted and put into effect in September, 1923.

Schiff was moderately interested in various street railways outside of New York City, but as a general rule his firm did not take an active part in public utility financing.

In the course of over forty years there were many transactions which to-day seem of minor importance by the side of the larger interests, although they doubtless had considerable significance in their time. He had some correspondence with Cassel in July, 1899, about the American Beet Sugar Co., in which both had an interest. In April, 1902, there arose a difficulty in the sugar situation on which arbitration was desired. Henry O. Havemeyer, the most important figure in the in-

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dustury at the time, requested Schiff and James Stillman to act as the arbitrators. At first Schiff demurred, writing to Havemeyer:

It would be a rather delicate and difficult task for me to assume to become an arbitrator in a matter in which I am directly interested.

However, on April 23d he wrote to Stillman, making an appointment to meet him to consider the matter. A week later their joint report was submitted to Havemeyer and W. Bayard Cutting.

Schiff was for many years a director of the Western Union Telegraph Co., having joined the board on the invitation of Gould some years before the latter sold his controlling interest to the American Telephone and Telegraph Co. He became a very active director after this change of control and was closely associated with Theodore N. Vail, president of the Telephone company, in the direction of its policies. When in 1914 the Telephone company in turn decided to divest itself of its control, Vail turned to Schiff and negotiated with him personally for the sale of these holdings, as appears from a letter dated February 10, 1914, from Kuhn, Loeb & Co. to Vail, one of the comparatively few letters of the firm signed manually by Schiff himself. From this letter the following is quoted:

Referring to the verbal discussion and negotiation between your good self and our senior, we now make formal offer to purchase from the American Telephone and Telegraph Co., its holdings of Western Union Telegraph Co. stock, amounting to par value of \$30,000,000, more or less. . . .

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The exact price to be paid by us is to be dependent upon the price at which we shall offer the stock purchased, as promptly as practicable, to the shareholders of the Western Union Telegraph Co., such offering price to these shareholders to be, in any event, not more than three dollars (\$3) above the purchase price which we are to pay to your company within the above limits.

The purchase price was finally fixed at \$60 per share and the offering to the shareholders made at \$63 per share. Schiff continued his warm personal interest in the affairs of the Western Union Telegraph Co., and remained a director until the time of his death, although after 1914, when his son joined him on the board and succeeded him on the executive committee, he took a less active part in its councils.

Schiff's personal relations with Vail had their genesis in 1906, when Kuhn, Loeb & Co. joined with J. P. Morgan & Co. of New York; Kidder, Peabody & Co. of Boston; and Baring Brothers & Co. of London in financing the requirements of the American Telephone & Telegraph Co., which up to then had been handled almost exclusively in Boston as a piece of local New England financing. With the growth of the company's requirements, additional markets for its securities had to be found, which resulted in the formation of the above mentioned banking group, whose initial transaction was the purchase of \$100,000,000 of 4 per cent. Convertible Bonds, an exceptionally large issue for those days.

He had become acquainted with Col. Samuel P. Colt, president of the United States Rubber Co., when at the request of his fellow directors in the Morton Trust

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Co., he joined the board of the affiliated Industrial Trust Co. of Providence, R. I., of which Colt was chairman. It was, therefore, not unnatural that when, toward the end of 1916, a difficult period during the war, the United States Rubber Co. had a large amount of re-funding to undertake and needed additional capital, Colt should have turned to Schiff for advice and support. From these conversations resulted the issue by Kuhn, Loeb & Co. of \$60,000,000 of 5 per cent. Bonds in January, 1917.

He was rather accidentally drawn, about 1900, into financing connected with large meat packers. At that time there had grown up great strife between the employers and employees. The packers would not recognize the Union, and the result was a general lockout, on the part of all the large firms, with the single exception of the Schwarzschild & Sulzberger Co., whose main abattoirs were in New York, whereas all the others were in the West. The other packers demanded that the Schwarzschild & Sulzberger Co. should also lock out their men, but the heads of the firm had perfectly amicable relations with their employees, were paying them acceptable wages, and were prepared to recognize the Union. Upon their refusal to join in the lockout, the other packers threatened to turn upon them, and to put them out of business. One summer morning, Schiff, as usual, was coming from Sea Bright to New York on the Sandy Hook boat when there came into his cabin Ferdinand Sulzberger, accompanied by one of his sons. Sulzberger explained the situation to Schiff, and said that if his firm refused to lock out their men, the joint attack of the other packers might ruin them, or,

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at least, it would be necessary for them to have several million dollars at their disposal. Schiff heard the story through, and made no answer. He turned to the boy, and laying his hand on his shoulder, asked: "And what are you doing, my lad?"

The boy answered: "I have been studying chemistry at Heidelberg for a year, and had thought of going back, but with this trouble coming to my father, I think I ought to stay here."

Schiff again put his hand on the boy's shoulder and said: "Go back to Heidelberg; we will see your father through."

Thus, in the course of maybe ten or fifteen minutes, there was struck a bargain which brought about relations, at least for a time, with the packing industry.

CHAPTER V

THE names of financial establishments and of financiers in Europe and Asia and America often occur in this book, but there were naturally some individuals and institutions with whom business transactions were especially frequent.

The other leading firm of private bankers in New York during Schiff's business career was the one at whose head stood the elder J. Pierpont Morgan, with whom and with whose partners Schiff had many dealings. There were sometimes differences, both in opinion and in practice, but Schiff was generous in his expressions of recognition to this great banking house; to Coster, he wrote on August 28, 1895, congratulating the firm upon its plan of reorganization for the Erie Railroad. That he sometimes made suggestions in their interest is indicated by part of a letter to George W. Perkins, January 22, 1902, after the Burlington-Northern Pacific question had been settled:

I repeat, we entirely recognize J. P. Morgan & Co.'s prior right to Burlington negotiations, and I am personally prepared to support this in the Burlington board; but, as I have said, I believe it would be well if you assert yourselves promptly before the bonds which now have been authorized are disposed of.

The time came when the Morgan firm was being criticized, and Schiff made a spirited defense of its members

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in the course of a letter to Fleming, on June 25, 1902:

Personally I admire the pluck and ability of Pierpont Morgan and his partners. He has no doubt done much, through his far-reaching promotions, to make possible the general utilization of the bases of prosperity of this country, which to some extent, at least, might have remained dormant without so able a promoting mind as his. . . . Much of the criticism . . . both here and abroad originates in envy, and as far as Europe is concerned, in an under-estimation of the tremendous development which this country has enjoyed, and of the conditions which are prevailing on this side, of which a man like Morgan is only the product.

When, in 1903, the press was comparing Schiff and Morgan, he protested:

What I certainly do not like in the article sent me is that it attempts to contrast my own business transactions with those of Mr. Morgan, who is a great big man, of whose fairness, commercial honor, and desire to do right I am thoroughly convinced.

In describing to Cassel the great panic of 1907, he wrote:

Relief is being furnished on an extensive scale, and Pierpont Morgan in particular has rendered great services in this direction. Probably no one could have got the banks to act together, and to join hands in the work, as he did, in his autocratic way.

Two incidents give an insight into the respect and regard which the heads of the two firms felt for each other, and indicate the mutually considerate relations which existed. There was no rivalry between them, each recognized the ability and power of the other, and both

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were less interested in financial rewards than in doing constructive work for the industrial and economic development of the country. While their methods of approach were often different, they both thought on a big scale and delighted in meeting and solving problems which weaker men would have avoided.

The first incident had to do with the acquisition in 1900 by the Erie of the Pennsylvania Coal Co. Schiff was negotiating for this property on behalf of the New York, Ontario & Western, without knowing that anyone else was also trying to secure it. In the midst of these negotiations it was announced that J. P. Morgan & Co. had purchased it for the Erie. Immediately thereafter Morgan sent word to Schiff that he deeply regretted having had to interfere with Schiff's negotiations, of which he had knowledge, as this was quite contrary to his usual practice, but that it was a matter of such vital importance for the Erie to have this property that he had felt compelled to go ahead and secure it. He insisted that Kuhn, Loeb & Co. should share to a very substantial extent in the profits of the transaction. This Schiff refused to accept, taking the attitude that Morgan had acted with perfect propriety, and that Kuhn, Loeb & Co. could not and should not participate in the benefits of a negotiation in which it had none of the responsibilities. It was only after repeated discussions, and after Morgan had made a personal issue of it, saying that he would feel unhappy if his proposal were not acceded to, that Schiff let himself be persuaded, with the consent of the Ontario & Western, to permit his firm to accept the offer.

The other incident occurred in the latter part of 1903, during the so-called rich men's panic. United States

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Steel Common Stock, which in 1901 had been introduced at 40, sold at less than 10, and all kinds of rumors were prevalent as to that corporation. These were felt most strongly by Morgan, who had so freely expressed his belief and faith in it. At that time the Lake Shore & Michigan Southern Railway desired to fund its rather heavy floating indebtedness by issuing \$40,000,000 of Debentures, and it turned for this financing to J. P. Morgan & Co., who for many years had acted as its bankers. To the great surprise of H. McK. Twombly, who had the negotiations in charge, Morgan refused to undertake the issue, saying that because of the attacks upon him he did not wish to do any business at that time. Twombly did his best to persuade him, but Morgan remained firm in his decision and told Twombly to offer the issue to Kuhn, Loeb & Co. This Twombly thereupon did, emphasizing in his conversation with Schiff that Morgan had positively declined to do the business and had himself sent him to take it up with Schiff. It was a tempting opportunity to establish a valuable connection, but Schiff did not hesitate a moment. As soon as Twombly had left him, after acquainting his partners with what had occurred, he went to see Morgan. He found him in the frame of mind which Twombly had described, insisting that his firm would not undertake the transaction and that Kuhn, Loeb & Co. were welcome to it. Schiff argued to the contrary, saying in effect: "Mr. Morgan, you have been consistently fair and friendly to my firm. You have shown us good will when we did not have the position we now have. You acquiesced without hesitation in our undertaking the Union Pacific reorganization, to which you had certain claims. My firm will never be a

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party to anything which will tend to diminish your prestige. You owe it to yourself to undertake this issue, but if you have the slightest doubt of its success, we are ready to take any part of the financial responsibility, on the sole condition that toward the Lake Shore and the public your firm appear, as heretofore, as the bankers in this transaction." Schiff finally prevailed upon Morgan to reconsider his decision, and following their usual practice, the issue was made by J. P. Morgan & Co., the National City Bank, and the First National Bank—with great success.

Schiff's relations with all the partners of the Morgan firm were most friendly, but especially with Charles Steele, who had been one of Kuhn, Loeb & Co.'s counsel; with George W. Perkins, of whose abilities he had a very high opinion; and in later years with Henry P. Davison, for whom Schiff had the greatest personal admiration and whom he considered the ablest banker of the younger generation.

He wrote to Cassel, April 9, 1913:

Pierpont Morgan's death has touched me greatly. He was an eminent man who tried always to do the right thing, and was free from arrogance, in spite of his exceptional position. I was very much attached to him, and he was always very obliging and considerate towards me, especially since the Northern Pacific affair. He understood very well that it was his interests that had brought us into conflict. His circle of friends was unbelievably large. . . . Now that he has passed away we shall feel in New York what he has been and how much we have lost in him.

Schiff's relations with the National City Bank and with its head, James Stillman, are deserving of more

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than a word.¹ He became a member of the board of directors of the Bank on February 7, 1899—an election which he accepted with much pleasure.

James A. Stillman, writing in 1925, said:

Mr. Schiff was an attentive director of the Bank, attended meetings regularly, and was one of the few members of the board from whom my father would ask advice at the meetings.

He was naturally in a position to aid the bank by securing as depositors some of the large railroad corporations with whom he dealt. On the other hand, the bank was of great service to him and to his firm at various times—notably that of the Hill-Harriman contest for Northern Pacific. Many other important transactions were carried on jointly with that bank and with the affiliated National City Company. Stillman was especially interested in Harriman's projects, and co-operated with Kuhn, Loeb & Co. in taking over the temporary direction of their affairs after Harriman's death.

When Schiff tendered his resignation as a director of the bank, he wrote to its then president:

July 1, 1914.

DEAR MR. VANDERLIP:

Owing to what appear to be the limitations in the Federal Reserve Bank legislation, it is necessary that I resign as a director of the National City Bank. It hardly needs any special assurance on my part that I do so with a feeling of keen regret at being compelled to sever associations which have at all times been a source of much satisfaction and pleasure to me.

¹ See Mrs. Burr's biography of Stillman, in which these relations are described at some length.

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Sixteen years ago, when I became a member of the board of the National City Bank, the latter was not so important a concern as it is today, and it is my conviction that the great and honorable position the National City Bank has acquired in the financial and commercial life of the United States is, to no small degree, owing to the prudent and efficient management which the bank has enjoyed under Mr. James Stillman's, and, in later years, under your own guidance. Particularly do I regret that it has become necessary that I leave the board just at a time when, under recent legislation, an opportunity is now given the bank—of which I am glad to note it is promptly availing itself—to branch out into foreign countries, and thus become a further and still more important factor for the promotion of the financial and commercial interests of this nation.

May I ask you to present my resignation to the board at the next meeting, and wishing you personally, as well as your associates in the management of the bank, every further success, I am, with assurances of esteem,

Yours most faithfully,
JACOB H. SCHIFF.

Another banking institution on whose board he served was the Morton Trust Co., organized in September, 1899, as successor to the old banking house of Morton, Bliss & Co., by Levi P. Morton, former governor of New York and Vice President of the United States. When Schiff was invited to become a member of the board, he wrote to Morton, October 17, 1900.

I am in receipt of your kind note of yesterday, informing me that I have been elected a director of the Morton Trust Co. and a member of its executive committee, of which I take due note. I take this opportunity to express my gratification at having become associated with

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you on the board of a company which bears your name, and the management of which is in the hands of such eminent men. I know how highly my lamented friend and partner, the late Abraham Wolff, valued this association, and I trust that the relations which existed between him and his colleagues on your board will be continued between your good self and the other members of the board and me with equal mutual satisfaction.

Thomas F. Ryan, who was largely interested in the company, has furnished a brief statement about Schiff's connection with it:

About 1900 I became associated with Governor Morton in the management of the Morton Trust Co., and from that time until the company was merged with the Guaranty Trust Co., Mr. Schiff was one of my strongest supporters and advisers in its management. Our relations became very close; I had the greatest confidence in his judgment as long as I remained at the head of the Morton Trust. If I had a doubt regarding a policy to be pursued I never failed to consult with him if he was within reach.

He had intimate personal relations with John A. Stewart, president and later chairman of the United States Trust Co., the dean of trust company presidents; with Louis Fitzgerald, president of the Mercantile Trust Co., later absorbed by the Bankers Trust Co., who was closely associated with Schiff in the Union Pacific reorganization and served as chairman of the reorganization committee; with Frederick P. Olcott, president of the Central Trust Co., and with James N. Wallace, who upon the death of Olcott succeeded him as president. Schiff took a particularly active personal interest in the last-named company and served for

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a number of years on its board of directors. He had close personal relations also with many other leading personalities in the banking field, such as Henry L. Higginson of Lee, Higginson & Co.; Robert Winsor of Kidder, Peabody & Co.; James S. Alexander of the National Bank of Commerce in New York; Morris K. Jesup, and the latter's nephews, T. De Witt Cuyler and C. C. Cuyler; James B. Forgan of the First National Bank of Chicago; and John J. Mitchell of the Illinois Trust Co. of Chicago, to mention but a few. But as these found their expression in more or less frequent personal contacts, particularly with those resident in New York, his letter books reveal little, if any, correspondence with them.

He was a trustee of the Title Guarantee & Trust Co. from 1905 to 1909, also serving continuously during that period as a member of the finance committee. He had been one of the original incorporators of the affiliated Bond & Mortgage Guarantee Co., on March 29, 1892, and served as a director and a member of its executive committee until March, 1911.

He was for a short time a director of the Western National Bank of the United States, which was merged in October, 1903, with the National Bank of Commerce in New York. Thereafter, he served as a director of the latter institution, and from March, 1910, as a member of its finance committee. He resigned both positions in September, 1911.

He had a considerable interest with his partners in the Equitable Trust Co. and in the United States Mortgage & Trust Co. He joined with a group which included James Stillman and Seth Milliken in founding

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what was then a small neighborhood bank, the Fidelity Bank, on Madison Avenue at 75th Street, invited other people to join in the organization, and even solicited accounts for it—apparently more from the point of view of a convenience to the locality than of a great financial adventure.

Schiff was one of the founders in 1890 of the State Bank and served for a short time on its board of directors. His connection with this institution, which has become one of the most successful banks in New York, came about in a rather curious way. He had been much disturbed by the many failures of so-called East Side bankers and the resultant losses to their depositors, and for philanthropic rather than business reasons had in mind the establishment of a bank to serve the people of modest means resident in that district. While he had the matter under consideration, he happened on his daily walk down Fifth Avenue to meet Oscar L. Richard, of the firm of C. B. Richard & Co., who because of the nature at that time of the business of his firm had much contact with recent immigrants, and mentioned the matter to him. Richard told him that he regretted that he could not join him in this project, as he himself was seriously contemplating the establishment of a bank in that locality with a capital of \$100,000, but that he would be pleased to have Schiff take some of the stock of his proposed bank. This Schiff readily agreed to do, and within a few days the entire capital was subscribed. On July 9, 1890, the State Bank opened its doors at 296 Grand Street, in an old brown-stone building.

For both personal investment and business reasons, Schiff seemed desirous of owning stock in various banks and trust companies in the United States. Thus he

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wrote to T. Jefferson Coolidge, Jr., of Boston, in 1899, expressing his desire to purchase one or two hundred shares of the stock of the Old Colony Trust Co. He was a director and a member of the investment committee of the Industrial Trust Co. of Providence, R. I.—a position from which he resigned in 1907. He held stock in the First National Bank of Chicago, which he characterized, when disposing of it in 1919, as “amongst my investments which I have for many years most cherished.”

For a long period, Kuhn, Loeb & Co. had dealt with the great life insurance companies, such as the Equitable Life Assurance Society, the New York Life, and the Mutual Life companies. Schiff had intimate personal relations with the founder of the Equitable, Henry Baldwin Hyde, at whose request he became a director of the Society, and took an interest in several of its affiliated organizations. He had early sought the advice of counsel as to his duties and rights under the insurance laws, and being told that his firm was at liberty to sell securities in a legitimate business manner to insurance companies in which he happened to be a director, but that neither he nor his firm could under the law act on behalf of such a company or accept a commission for purchasing securities for its account, he felt that under the circumstances, and in view of what appears to have been a promise to Hyde, he should not withdraw from the directorate.

Personal considerations had much to do with this decision. At the time of the difficulties which will be referred to presently, James Hazen Hyde, the son of the founder, was a man of twenty-seven, whom Schiff had

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known as a student at Harvard. When Hyde became a vice president of the Society, Schiff wrote to him:

You bear a name which your father has made highly respected in this community, and I am sure you will make every endeavor to maintain its luster.

The importance of the Society at that time, and the sums at its disposal, can be judged by Schiff's statement to Hill: "The Equitable Society is one of the largest, if not the largest, holder of the securities of your company."

Nevertheless, the old form of management of the Equitable had been retained. The capital stock amounted to only \$100,000, of which young Hyde owned 51 per cent., whereas the resources of the Society at the time were more than \$400,000,000. A quarrel broke out, early in 1905, between Hyde and James W. Alexander, president of the Society, who wished to wrest control from the former. Among other things, Alexander insisted that the Society must be mutualized, i. e., that the voting power must be placed in the hands of the policy holders. The action of the board, which refused to accept Alexander's plans, seemed to favor Hyde's contentions. But Schiff had no illusions as to the possibility of maintaining a corporation on this slender foundation and gave fatherly advice to young Hyde after the meeting: "It was not so much a victory for you personally as a rebuke for Mr. Alexander. . . . Mutualization must now come, and I think the more reasonable you will show yourself to the committee with which you will have to deal, and of which you are a member, the more certain you will be to secure respect and your continued influence in the Society."

While he recognized the impropriety of maintaining

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control of this vast corporation on the basis of \$51,000 of stock, he pointed out another dangerous practice which was growing up in companies which had been mutualized, namely, that the proxies of policy holders were obtained by the companies' agents, to be voted by the officers as they deemed best. He thought that such a practice would eventually mean that the proxies would all be secured in the name of the president, who would thereby absolutely control the board of directors, and become as great an autocrat as one who controlled through the holding of a majority of the stock.

He explained further difficulties to Cassel, April 4, 1905:

I personally have suffered great vexation from the Equitable controversy, of which you will doubtless have heard through the newspapers. As a result of my intercession on Hyde's behalf, we [i. e., Kuhn, Loeb & Co.] have been exposed to every possible attack on Alexander's part. The main accusation is that we sold large amounts of securities to the Equitable, and that I as director in the society, was acting as buyer and seller in the same transactions. That is simply not true, because the purchases of securities for the Equitable were decided upon by the executive committee, of which I am not only not a member, but on which I refused to go; and our transactions with the Society have been continually the same as our transactions with the Mutual and the New York; while the securities which we have sold them—virtually without exception—are worth much more than they paid for them. Practically the same is true of Speyers and Iselins in the Mutual, and of Morgans and Blairs in the New York.

The controversy became of such importance that finally a committee of the board was appointed, with Henry C. Frick as chairman, to which the matter was referred.

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The committee's report was equally severe against both Alexander and Hyde, and when it was presented toward the beginning of June, Schiff proposed that a chairman of the board should be appointed, with full powers, and that Hyde and Alexander should give up control. This was refused, and Schiff presented his resignation, as did many other directors:

June 5, 1905.

JAMES W. ALEXANDER, PRESIDENT,
THE EQUITABLE LIFE ASSURANCE SOCIETY.

DEAR SIR:

In view of the proceedings at the meeting of the board of directors of the Equitable Life Assurance Society held last Friday, I feel constrained, after mature reflection, to tender my resignation as a director of the Society, to take effect at once. Throughout the recent controversy I have studiously refrained from any action which might add to the complications with which the Society has been struggling. I have even remained silent in the face of many malicious and baseless statements regarding the business transactions between my firm and the Society which have been disseminated through your agents, notwithstanding your failure to publicly disavow and deny these statements, instead of sending me (as you have recently done) private messages expressive of regret for the indiscreet and over-zealous actions of your friends.

The meeting of the directors last Friday offered, it seemed to me, a supreme opportunity for rescuing the Society from the evil situation into which it had been cast by factional disputes and by the conduct of its officers. If you and Mr. Hyde had been able at the critical moment to rise to the occasion and had supported my motion for the appointment of a committee of directors consisting of men of national reputation for high character and independent

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judgment, with authority to select a chairman of the board with plenary powers, a just and effective reorganization of the management of the Society and the restoration of public confidence might have been possible, but you and Mr. Hyde permitted the psychological moment to slip by, and recognized the mistake only after the disintegration of the board of directors had begun and it was too late to repair the damage which had been done. In view of the present situation it does not seem likely that there will be opportunity for independent action in the board, and I have reluctantly come to the conclusion that I can no longer be of service to the Society by remaining upon its board of directors, of which I have been a member for twelve years.

Very truly yours,
JACOB H. SCHIFF.

The State superintendent of insurance, Francis Hendricks, was at the same time making an investigation on his own account, and to him Schiff gave long and exact statements about his firm's sales of securities to the Society. He wrote to Hendricks on July 25th:

As the publication of garbled extracts from the testimony taken by you in your investigation of the Equitable Life Assurance Society has increased the misapprehension of the real character of the transactions between the firm of Kuhn, Loeb & Co. and the Equitable Society, due to certain erroneous statements in your report to which I have already called your attention, I deem it necessary, in fairness to my firm and myself, to again address you regarding those statements, in order that a correct statement of the facts may be before you. . . .

I again call your attention to the error in the statement in your report to the effect that certain Japanese bonds purchased by the Equitable from Kuhn, Loeb & Co. were

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later resold by the society to us at a loss of $2\frac{1}{2}$ per cent. As was explained in the testimony which I gave before you, these Japanese bonds, which were payable in pounds sterling, were originally purchased by the Equitable at the rate of \$4.88 to the pound and were resold at \$5 to the pound, with the result that they were sold, not at a loss, *but at precisely the price paid for them by the Society*, which in the meantime had realized interest upon them at the rate of about $5\frac{1}{2}$ per cent. per annum. . . .

You refer in your report to the sale of Union Pacific Preferred Stock made by Kuhn, Loeb & Co. *to the Equitable*, and to such Preferred Stock being held in a syndicate. . . . You did not explain what was clearly stated in my testimony, that Kuhn, Loeb & Co. knew only James H. Hyde as a participant in this syndicate, and that I did not learn, until I was so informed by you, that his interest in this syndicate has been transferred to the Equitable. . . . Union Pacific Preferred Stock is an investment of the highest order, and there is no reason why the finance committee should not have approved of it as an investment of the Society.

This erroneous statement that Kuhn, Loeb & Co. sold this Preferred Stock to the Society, coupled with the publication of garbled extracts from the testimony taken by you, has given rise to misapprehension as to the price at which the stock was acquired by the Society, the statement having been several times made in the public press that the stock was sold to the Society at *par* when the market price was several points below par. The fact was, as clearly appears from the testimony, that the deliveries of stock which *appeared* to be at par were partial interim deliveries on account of the aggregate syndicate purchase, and, as the notice respecting such deliveries stated, were for convenience made at par subject to a later adjustment. This adjustment was effected upon a subsequent distribu-

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tion of the stock when Mr. Hyde (and through him the Equitable, as it now turns out) received 3,800 shares at 71 (as against the then prevailing market price of 94) which made the average cost of its entire purchase of 17,800 shares \$93.82 per share. . . .

You took occasion to say in your report that the market value of certain bonds sold by Kuhn, Loeb & Co. to the Equitable had declined. You did not, however, point out that these cases were the exception and not the rule. . . . The prices at which we sold bonds to the large insurance companies were usually below, and never above, the ruling market prices. We are entirely willing to stand on our record in our dealings with the Equitable. All we ask is that the facts be fairly understood.

Later, the subject was taken up by the New York Legislature, and the Armstrong Committee was appointed, which chose as counsel Charles E. Hughes—a selection which brought Hughes into prominence in the state of New York and resulted in his election to the governorship, and indirectly in his later nomination to the Presidency. The committee sat until the end of 1905, and Schiff was called to testify. His testimony was largely an elaboration of the statements which he made in the letters already cited. He admitted that under the conditions then prevailing many things had taken place of which he was unaware, and said that it was almost a universal custom in corporations for directors to be placed in such a position that they could not direct; the situation was such that a director could merely advise the officers of a corporation to the extent that they wished to consult him. Naturally, he made no attempt to justify this practice. He did, however, at the conclusion of his testimony, again passionately defend the

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integrity of his firm and himself in their dealings with the Society: ¹

It has been said that Kuhn, Loeb & Co. [had] monopolized the financial business of the Equitable Life. I find that the Equitable Life—I have it from its officers—bought during the past five years \$197,000,000 of securities . . . of which Kuhn, Loeb & Co. sold it somewhat over \$33,000,000, just one sixth. Is that monopolizing?

I have never asked any favor as a director of the Equitable Life Assurance Society from it. I have granted it many favors. I am not conscious of ever having done as director of the Equitable Life Assurance Society any wrong of commission. I may have done something of [by] omission. It is a case of hindsight and not of foresight, but my conscience frees me from any wrong [doing]. I have been as good a director as I knew how, and I have done [endeavored to do] my duty.

Kuhn, Loeb & Co. have sold during the past five years, or been concerned in the marketing of securities to the amount of \$1,360,000,000, and of these they have sold \$33,000,000 or \$34,000,000 to the Equitable Life; does that look like undue influence? Does it look like favoritism? Kuhn, Loeb & Co. during the past five years have sold \$42,000,000 bonds to the Mutual Life Insurance Company, and they have sold \$31,000,000 bonds to the New York Life Insurance Company; and they have sold \$33,000,000 bonds to the Equitable Life Assurance Society. Does that look like favoritism?

Kuhn, Loeb & Co. have sold securities for the past twelve

¹ Bracketed changes were made in Schiff's hand on the transcription, but not incorporated in the official record. See *Testimony taken before the Joint Committee of the Senate and Assembly of the State of N. Y. To investigate Life Insurance Companies, etc.* Albany, 1905. Vol. II, pp. 1297-1364. See also pp. 1056 ff.; Vol. IV, pp. 3307 ff., 3342-3343 and the *Report of the Committee*, dated Feb. 22, 1906 (Vol. X), pp. 120 ff. and 385 ff.

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years to the Equitable Life Assurance Society, since the time I am director, which show, compared with the present market rates, profits or advances of \$1,600,000; and during the past five years the best securities . . . have declined from 8 to 12 per cent. and [nevertheless] the profit or the market advance on securities which Kuhn, Loeb & Co. have sold to the Equitable during the past five years, in face of that advanced [amounts to] from \$500,000 to \$600,000. I thank you if I have taken up your time.

He wrote to General Wilson on October 2, 1905:

I have received many expressions, even from people of whom I never have heard, as to the testimony I gave last Friday before the Insurance Committee, and while I had to wait many weary months for my vindication, it was worth while waiting for an opportunity such as was given me.

And more fully to Myron T. Herrick the next day:

DEAR GOVERNOR HERRICK:

I have received a considerable number of most kind expressions these past few days, but I assure you none has given me so much gratification as the thoughtful note you have been good enough to send me. While I suffered under the baseless, infamous insinuations which were made against me by a sensational press, to which a man's reputation is only worth the number of headlines and the amount of copy it will furnish—I made up my mind that I must not lose my dignity and must keep quiet until the proper opportunity would present itself. When it came last Friday, I had nothing to do but to tell the plain truth, and I am glad it has done its work. . . .

Your friend,

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Paul D. Cravath's recollection of Schiff's appearance

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on the stand throws an interesting sidelight upon the effect of his testimony:

I never admired Mr. Schiff's qualities of mind and character more than during the Armstrong Insurance Investigation in the fall of 1905. The public mind was so inflamed by sensational disclosures that many innocent men suffered in reputation, and other men who had not been entirely free from blame were subjected to public criticism far beyond their deserts. As a matter of fact, the relations between Mr. Schiff and his firm and the Equitable had been entirely honorable and afforded no basis for criticism. That alone would not have been enough to protect them from misunderstanding and public criticism had it not been for Mr. Schiff's courage and directness in the testimony he gave before the Armstrong Committee under examination by Mr. Hughes. I shall never forget the impression of sincerity and directness he made upon the Committee and their counsel as he gave his testimony. As the result of this, Mr. Schiff was one of the few men prominently identified with the Equitable who came through the investigation unscathed in reputation.

Schiff was a firm believer in centralized responsibility of business management and in coöperation with banks and bankers in other localities in the United States and in Europe, rather than in competition with them. It was because of this that Kuhn, Loeb & Co. pursued the policy of not having any branches or agencies in other centres, or even exclusive arrangements with other financial houses, but of having intimate relations with a number of them. Among such in Europe were Barings, Rothschilds, and the Bank of Montreal in London, the Banque de Paris et des Pays Bas in Paris and Brussels,

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Hope & Co. and the Amsterdamsche Bank in Amsterdam, and Warburgs in Hamburg. His own closest personal relations were with Cassel and Fleming in London, Noetzlin in Paris, and Max Warburg in Hamburg, and it was upon these men, particularly, that he relied to keep in touch with European financial affairs.

There were various investment companies formed by his friends abroad with which he was at one time or another associated. One of these was the Investment Trust Co. of London, which had been formed by Fleming. Discussions were initiated in 1904 looking toward the formation of a financial institution for American transactions in Brussels, and the next year for the establishment of a Franco-American bank, but the latter was given up, for after a visit of Noetzlin to New York in 1907, Schiff wrote to Cassel that the proposed bank would "burden us with a responsibility which is quite out of proportion to the probable advantage." Noetzlin himself apparently preferred that the Banque de Paris should have a special department for American transactions.

In Germany, other important connections were with the Disconto-Gesellschaft, and at times with the Deutsche Bank of Berlin. In dealings with the latter, Schiff had established pleasant personal relations with its officials, particularly with Dr. G. von Siemens and Arthur Gwinner. To the former, on learning of his withdrawal from the active management of the Bank, he wrote:

I am sorry that the institution which owes its distinguished international position largely to your intelligence and energy must get along in the future without your direct leadership.

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Holland was an important financial center, and at Amsterdam he had dealings at various times with the Bank of Amsterdam, Wertheim & Gompertz, and A. A. Boissevain & Co., but more particularly with Hope & Co.

CHAPTER VI

TOWARD the beginning of the twentieth century a new tendency began to show itself in international movements of capital. The United States continued to borrow from Europe until the World War; yet foreign securities were more frequently finding their way into New York, and the aggregate of American loans to foreign countries rose steadily—though until 1915 it was still far overbalanced by the volume of American securities which went to Europe. While the financing of American railroads constituted the greater part of Schiff's activity, the purchase of securities from foreign governments and corporations was by no means excluded.

It was natural enough that when American capital began to seek investment outside of the United States it should turn to Canada and Mexico, and in general to the American continent. The investment markets of New York and New England showed an interest in government loans and business enterprises in these countries at an early date, and Schiff gave watchful attention to them almost from the beginning of his career.

One of his earliest railroad interests was in the Canadian Pacific, the first true transcontinental line in the Western Hemisphere. The road was chartered in

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1881, and its main line opened six years later. Construction was undertaken at a time of great financial enthusiasm, and Schiff wrote to Cassel, June 19, 1883:

The American public is buying Canadian Pacific stock very eagerly. Since we took the management [of the sales] into our hands on behalf of the committee, six weeks ago, we have sold almost the whole second option of 100,000 shares, and the last option will probably be called within a few days.

From the very beginning the Canadian Pacific was financed as far as possible through issues of stock, and its bonded debt and consequently its fixed charges were kept far below the usual proportions. The financial strength of the road arising from this arrangement was the feature which perhaps most attracted Schiff. There were also a special "Construction Stock," in which Schiff and Cassel were both interested to a moderate extent, and he wrote to Cassel in July, 1883, that these shares would probably fluctuate widely during the next few months, since there was a large speculative supply; yet he felt that the road, with its 3000 miles of line, and 18,000,000 acres of good land, was not unduly capitalized.

The financial crisis of 1884 made it impossible to raise further funds from the public for the time being, and accordingly, Schiff reported to Cassel, in February of that year, that a bill was before the Canadian Parliament which would place at the company's disposal \$22,500,000 for seven years. After this time, he took only an academic interest in the Canadian Pacific, although his relations remained very close with Sir George Stephen (afterward Lord Mountstephen) and Sir Donald Smith (afterward Lord Strathcona and Mount Royal), both

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of whom were intimately associated with James J. Hill in the development of the Great Northern.

Schiff's interest in Mexican loans was first revealed through his suggestion to Noetzlin, who in 1880 undertook the organization of the National Bank of Mexico. Later, with Cassel, Schiff himself took part in financing for Mexican enterprises, principally railways. In 1885 and 1886 they were both engaged in straightening out the affairs of the Mexican National Railroad, and Schiff began also to take an interest in the Mexican Central, which serves the most densely inhabited states of Mexico—some two thirds of the population.

Writing to Cassel on October 9, 1888, he discussed at some length the financial status of the Central, which had by that time become his chief concern in Mexico:

This business will have not only the attention of my firm, but also my own, if our services are of value in any transaction connected with it. A Prior Lien of about \$6,000,000 might be best, and we would like to participate in taking over such a bond, but whether America will absorb part of such a 5 per cent. loan at about par is not quite certain. Our capitalists have too little understanding of things like that, as they seldom go outside of the country, excepting in very small speculative circles. It may be that Boston will buy some, but since financial institutions, under the existing laws, are not allowed to buy such bonds, the main market will be in London and Berlin.

Cassel managed the reorganization of Mexican Central finances that year, and Schiff took a participation in the issue, writing to him frequently and giving detailed suggestions from New York. He and his friends engaged

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in many conferences with the officials of the road and with the lawyers, in an effort to help settle the vexing problems. He reported to Cassel on March 11, 1889, that the loan had been a tremendous success, and expressed his confidence in the bonds. The summer of 1890 he spent in Europe and devoted much of his time to discussing Mexican railway affairs not only with Cassel, but also with Noetzlin, Fleming, and Robert Symon, who were actively interested in Mexican affairs.

President Wade, of the Central, died in March, 1891. On Cassel's behalf, Schiff immediately made suggestions with regard to the election of Wade's successor, though Cassel finally came over himself, as representative of the majority of the shares, which were held in London. Schiff wrote to Cassel on August 7, 1892, about an "arrangement" which was to be made among the various Mexican roads:

Let us hope that it will be of actual benefit to the Central, and to all other lines, so that a permanent check will be placed upon all unhealthy competition.

But, on August 22d:

The constant decline in the price of silver unfortunately holds Mexican Central securities down. As a result, the completion of the negotiations between the Mexican railroads has passed almost without leaving a trace. I feel certain that in the end these satisfactory arrangements between the railroads will show their favorable effect upon traffic results, and particularly upon the securities of the Central.

During the next few years he continued to act as Cassel's representative in Mexican Central affairs, which were not proceeding very satisfactorily, and which

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Cassel was unable to look after personally. After many delays, A. A. Robinson was made president, and his administration began very auspiciously. Schiff wrote to Cassel from Vienna, April 15, 1894:

Every time I have seen Robinson I have tried to explain to him that the prosperity of the enterprise now depends entirely upon economical operation and a sound management. He has promised me faithfully (in a letter which I have received in Europe) to do everything he can in that direction.

And again on October 14th:

Robinson came to my office a few days ago. He said that the gross receipts would increase steadily, because a great many industries are beginning to develop along the line. But he feels very discouraged about silver, and apparently does not believe that the operating expenses could be further reduced.

Rumors arose, early in 1895, that the Mexican International, then under the control of Collis P. Huntington, was going to "invade" the Central's territory. The Central officials were rather nervous at the prospect, and wished to extend their own lines some sixty miles to prevent such competition, but Schiff advised patience. By August, 1896, he had a plan of his own to suggest: to buy control of the International direct from Huntington, who was in urgent need of funds. Although rather diffident in expressing positive opinions about Mexican affairs, Schiff thought that the unified control of both roads would be very advantageous, though it need not be achieved hastily.

In March, 1900, Mr. and Mrs. Schiff, with Professor and Mrs. Morris Loeb, visited Mexico, and Schiff in-

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spected the greater part of the Central. Writing to Cassel from Mexico City on March 11th, he gave his first impressions:

The Torreon-Mexico City line, which we have just seen, is in relatively good condition, but it may have to spend large sums within the next few years, especially for purchasing new rails. So far as I can see, payments of any kind on the Income Bonds should not be considered at present, even if the net income keeps on growing. . . . It appears to me of the greatest importance to find some method which will make it possible to use for the purposes of the road any surplus which arises over fixed charges.

After leaving Mexico, Schiff went on to California, where he had a talk with Huntington, whose conversation gave Schiff the impression that he intended to get control of the Mexican National Railroad, in the interest of the International. This Schiff thought was something which the Central must make every effort to prevent, writing to Robinson on April 23, 1900, that the Central should, upon proper terms, rather offer to the National "trackage or running arrangements between Gelaya and El Salto." Huntington died that year, and Schiff wrote to Cassel on August 22d:

It seems to me, so far as the Central Railroad is affected, that the new situation will rather be of advantage to it, for it is hardly likely that the Huntington System in Mexico will now make efforts at further expansion. The revenues of Mexican Central seem to be getting along very satisfactorily, and I am glad to see that the administration is finding ways of applying a large part of the surplus from gross income to operating costs. Otherwise difficulties would certainly arise with the holders of the First Income Bonds. I hope Mr. Robinson, from whom I have not heard

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for a long time, will carry out his intention of going to London this autumn, in order to acquaint you fully with the situation, and particularly to get your views upon the further developments which he is planning, and upon further purchases of equipment. You are right in saying that he shows the same tendency as most railroad people, always to keep on building, and to acquire rather too much rolling stock; but we must always remember that the situation in Mexico is peculiar.

In March, 1901, his firm arrived at an understanding with Speyer & Co. regarding a reorganization of the National Railroad. In February, 1902, he was engaging in correspondence with Robinson and Fleming, in an effort to bring about a community of interest plan between the Central and the National-International. At the same time he expressed his fears regarding the Central's policy of issuing bonds to pay for new construction. But his prudent advice seems to have been without avail. The road was in financial difficulties by the end of 1903, and Schiff took part in conferences with a view to financial readjustments which would permit it to stay above water. To Cassel he wrote at the time that the men in control obviously did not intend to permit rational steps to be taken, and that they would probably continue with their policy until the inevitable collapse, which the bond holders were powerless to prevent.

While in Europe, in the spring of 1904, he corresponded actively with Fleming and Cassel regarding various plans for the reorganization and consolidation of the Central and National systems, which were undertaken by Kuhn, Loeb & Co., in conjunction with Speyer & Co., Ladenburg, Thalmann & Co., and Hallgarten &

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Co. of New York, and several European bankers. Upon his return to America in June, he wrote to Cassel:

The Mexican Central is a very complicated matter, and it will take some time before we succeed. But nothing will be neglected that seems necessary, and I have no doubt that it will be only a question of time.

Shortly thereafter, in accordance with the general policy laid down in 1898 by José Y. Limantour, the able Minister of Finance in the Diaz Administration, steps were taken to incorporate the Central and the National (the two chief Northern roads, running from Mexico City to the American border), into the "National Railways of Mexico." The merger was completed in 1908, with an aggregate capitalization of \$460,000,000 (Mexican), in which the Government retained a majority for control. During 1907 and 1908 negotiations were conducted for financing the new system, with the coöperation of bankers in Paris, London, and New York. In these negotiations, Kuhn, Loeb & Co. took a leading part, but Schiff seems to have left the active work to his younger partners, and particularly to his son. Writing to Paul Warburg, June 18, 1908, he expressed the hope that the negotiations would be satisfactorily completed; that, however, every time the end appeared in sight, new difficulties had arisen, and that it would be a great pity if the interminable labors and the enormous expenses which the Paris negotiation had already involved could not also overcome this last obstacle. The final arrangements were made toward the end of that month.

His first interest in Mexican Government bonds was

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through Cassel in 1890. A reorganization of Mexican fiscal affairs was undertaken by Noetzlin, in 1892, and Schiff congratulated him upon the outcome of his work toward the end of the following year. When a new loan was proposed in 1899, the Mexican Government approached Kuhn, Loeb & Co. directly, but this tender Schiff declined, explaining to Cassel:

I have arrived at the only possible conclusion, namely, that it will not be fair to appear as a competitor in business in which you are already interested, even if you would not mind. Before receiving your answer, I therefore recommend to Kuhn, Loeb & Co. that they stay out of it. The question is quite simple, and I am convinced that you would not have acted differently in a case of this kind.

He had close personal relations with Limantour, for whom he entertained a great regard, and continued to keep in touch with Mexican affairs. After the fall of Diaz, he hoped that the new Government would find ways and means to cope with the difficulties that beset it. Accordingly, his firm, in conjunction with J. P. Morgan & Co., handled the American end of the international loan to Mexico during the Huerta period in 1913. The loan provided, among other things, \$10,000,000 to meet maturing obligations of the National Railways. He had been abroad that spring, and on his way back to New York wrote to Cassel, from the *Mauretania*:

I have received a Marconigram from New York stating that everything was settled, which is a great satisfaction to me, because it would have been too bad if Mexico too had gone on the rocks, in view of the fact that France takes such great interest in Mexico, and French confidence has

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for the moment been so severely shaken by the crash of the St. Louis & San Francisco.

To Albert Ballin he wrote on January 13, 1914:

Mexico is in a very bad way, and no one at present can foresee the end. I hardly believe that the intervention of the United States necessarily involves outright war; but there seems no real justification for intervention at the moment. They will have to fight it out down there themselves until the right man comes to the top, in whom all parties will have confidence, and who alone will be able to assure the country permanent peace, which a dictator and autocrat like Huerta could never have done. This is all very much to be regretted, especially for foreigners who like all of us have material interests in Mexico; but in the last analysis, whoever takes his capital into a foreign country, to gain profit, must be prepared to take the same risks, under the prevailing laws and conditions, as does every inhabitant of the country to which he has entrusted his resources.

The early attempts made to build the Panama Canal naturally had a bearing upon the earnings and value of the stock of the Panama Railroad, which were largely dependent on the operations attendant upon the canal construction. The crash in canal affairs in Paris in 1889 put an end to the French attempt to build the canal, and the road seemed to be one of the few tangible assets of the old Panama Canal company. Schiff wrote to Cassel on April 19, 1889:

The liquidator will find no other way out than to take a loan on the shares, or sell them, and I do not think that there will be many competitors in this transaction.

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Yet, he did not give up the belief that the Panama Railroad would be valuable even if the canal were built in Nicaragua:

As I gather from the newspapers, it seems now to be definite that the work on the Panama Canal will not be resumed, and that therefore the concession will probably be dropped. Has not the time come to buy, at a reasonable price, the Panama Railroad shares which are held by the Canal company? I assume that the liquidator will have to dispose of the marketable assets. Even if the Nicaragua Canal becomes a reality, the Panama Railroad will always be a valuable property; yet before a decision is made, a full investigation will be necessary of the condition of the road, physically as well as financially; the investigation, however, ought not to be difficult.

The determination of the United States to build the canal reacted favorably on the value of the road, and he wrote to Cassel on April 30, 1897, that the Panama Bonds had sold slightly over par.

He described his relation to Panama in a letter to Heinrich Schöler, of the *Frankfurter Zeitung*, on October 31, 1910:

I have your kind letter of October 19th, in which you ask me about the New York *World* report regarding the Harriman purchase of Panama Bonds. The whole affair is an election campaign story, pure and simple. During the negotiations for the sale of the Panama Canal to the United States, we bought such Bonds on the open market for Harriman and for others; but the suggestion came not from Roosevelt nor for that matter from Washington, but from Paris, through a well-known broker . . . who at that time called our attention to the fact that the liquidation value of the Bonds was almost equal to their open

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market value; and that if the sale of the canal to the United States went through, the Bonds would be worth considerably more.

When the *World* brought this charge, while Roosevelt was still President, suit was brought against it by the Government for libel, and upon that occasion we were called as witnesses, and required to furnish copies of the entries in our books relating to Panama Bonds. It was in this way that the *World* came into possession of the accounts. As you say, the whole amount is only very slight, and it is a great pity that we could not at that time secure a much larger one for Harriman and other friends to whom we supplied the information.

In 1906 he undertook for his firm negotiations for the purchase of \$20,000,000 of 5 per cent. San Domingo Bonds, the contract being entered into with the proviso that the United States Senate would ratify a treaty under which the United States Government would take over the administration of the customs of San Domingo and employ the net revenues in the first instance for interest payments and amortization. To Paul Warburg, who was then abroad, he wrote on July 22, 1906, that Robert Bacon, then First Assistant Secretary of State, had written him personally, congratulating his firm upon the completion of the negotiations.

One of the considerable creditors of the country, the San Domingo Improvement Co., refused to assent to the settlement, and at the end of 1906 it appeared that the Department of State was indisposed to submit the treaty to the Senate. Great prominence was given to these difficulties in the press, and Schiff feared that the refusal of the Department of State to submit the

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treaty to the Senate for ratification would leave the impression that his firm had been disavowed by the Government. If the treaty were not so submitted, he desired the reason to be made public.

New difficulties arose the next year, and Schiff wrote on July 5, 1907, to Professor J. H. Hollander, who was acting as the agent of the United States Government in the matter:

I have received copy of the agreement between the Republic of San Domingo and the Morton Trust Co., and also of the agreement with Kuhn, Loeb & Co., with alterations and amendments which, it is stated, have been made by the Dominican Congress. Without going into details, it appears to me that the alterations and amendments referred to put the whole settlement with the bondholders in the air, inasmuch as it will be necessary to submit to a later session of the Dominican Congress the adjustment of debts, claims, and concessions, the adjustment already made with your coöperation being apparently not recognized as final. We have not yet had the time to go very carefully into the details of the alterations and amendments which have been made, but we should appreciate it if you will give us your own views as to where the whole subject is left now, and perhaps it might be well if we had a personal conference. It appears to me we all owe it to our own Government to move with caution, and I assume you will consult with the State Department as to what it is advisable to do.

Shortly afterward the Dominican Minister of Finance, Velasquez, came to New York, and he and Hollander urged Kuhn, Loeb & Co., now that the treaty between the United States and San Domingo had been ratified, to renew the agreement. Schiff wrote to Paul Warburg on July 29, 1907:

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I have said plainly to Hollander and Velasquez that under present conditions, we would not again assume such an indefinite obligation, to take over \$20,000,000 in bonds at a time which cannot at present be fixed in advance; and that in my opinion there was nothing for Velasquez to do at present but to obtain the authorization of the Congress for making a contract similar to ours, and then on the basis of such authorization to make the contract when the opportune moment arises. Both of them said that that would be impossible, as the constitution of San Domingo requires that every arrangement for the placing of obligations for the Republic must first have the ratification of the Congress.

On October 1st he wrote to the Secretary of the Treasury, George B. Cortelyou:

Perhaps you are aware that for a considerable time we have been in negotiation with the Republic of San Domingo to purchase \$20,000,000 5 per cent. ten-fifty year Funding Bonds, which were to be issued in accordance with the treaty or convention recently entered into between our Government and the Republic, for the purpose of enabling San Domingo to place its bonds and to fund its debt. Though the treaty was ratified by the United States Senate, as well as by the Congress of San Domingo, the agreement which we have made for the purchase of \$20,000,000 of 5 per cent. bonds, based upon the ratification of the treaty, did not become effective within the time limit we had set. The Minister of Finance of the Republic then came here and asked that we enter into a new agreement for submission to the Dominican Congress, which we declined, insisting that the Congress pass an Enabling Act to place the executive officers of the Government in position to enter into an agreement which should be final, without the necessity of its submission for ratification to the Congress.

We understand that such an act has just been passed

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by the Dominican Congress, and that the Minister of Finance will shortly be in New York to renew the negotiation with us. If we again take up this negotiation, we shall, with the great change which has come upon the investment markets, be determined to a considerable extent in our willingness to bring the negotiation to a successful termination by the knowledge whether or not you will authorize the acceptance of these 5 per cent. Republic of San Domingo Funding Bonds, based upon the United States Government's customs administration, for deposit as security for public deposits. We are impressed that for all practical purposes the bonds referred to will be based upon the faith of the United States to carry out its treaty obligations, and in this respect we assume that these bonds will be as thoroughly and as permanently secured as Philippine or Porto Rico Bonds. If you can see your way to express at this time an opinion as to whether the new bonds, when issued in strict accordance with the provision of the treaty, will be acceptable for public deposits, we shall greatly appreciate it.

In May, 1908, he wrote that San Domingo "seems now to be in pretty good shape," and that the new bond would attain a good market value.

Other foreign financing in which Schiff took an active part during the pre-war period, included the placing by Kuhn, Loeb & Co. in 1900 of M. 80,000,000 of German Treasury Bills, and in 1912, in conjunction with the National City Bank, of \$25,000,000 of Austrian Treasury Bills. His main interest in the foreign field, however, was in Japanese financing, his relations to which, because of their importance, are described in another chapter.

CHAPTER VII

LIKE many another American, Schiff was attracted by the new spirit of Japan, which, having been forced out of its isolation by the American expedition under Commodore Perry, in 1854, was more and more endeavoring to take upon itself the aspect of western civilization. On September 9, 1891, he wrote to General James H. Wilson:

Did you read of the death of Koyinira Yoshida? I was indeed sorry to learn that so brilliant and comparatively young a man, who I believe has done more than many others of his countrymen to spread civilization in Japan, has been taken away.

But his interest appears to have been merely that of an observer until the war between Japan and Russia which broke out in February, 1904. His part in the Japanese loans of 1904 and 1905 attracted world-wide attention, and had important consequences.

When this struggle was impending, and the opinion was expressed in his presence that Japan could not go to war because of her lack of gold, he asserted that gold was not essential to the conduct of a war if the war was really a national effort: the greater part of the cost was borne by the people of the country, who, if the war were popular, readily took the paper money which all governments put out to meet the greatly increased

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expenditures for military purposes. He used emphatically to declare, long before it became the stock in trade of propagandists, that the statement that bankers could make or prevent wars was a pure myth, and that nations went to war whenever it suited them to do so.

His relation to the Japanese loans and subsequently with Japan itself was so large, and the results so far-reaching, as to form in many aspects the most important international undertaking in which he engaged. It is described in a memorandum supplied by Korekiyo Takahashi, baron and viscount, who later renounced his titles of nobility. Takahashi was, at the time of the war with Russia, vice governor of the Bank of Japan and Financial Commissioner of the Japanese Government to London and New York, and, later, president of the Yokohama Specie Bank, Minister of Finance, and Premier of Japan. His memorandum furnishes a continuous narrative:

It was one evening toward the end of April, 1904, that I met Mr. Schiff for the first time. I had then just arrived in London as Special Financial Commissioner of the Imperial Japanese Government. The Russo-Japanese War having broken out in February of that year, I had been despatched there with the mission of watching financial interests of my country and negotiating loans for our Government according to needs and opportunities. I passed through America on my way to England and stopped for several days in New York, where I made tentative soundings about the prospect of financial operations there. I met with abundant sympathy for my country; but the result of my soundings was not encouraging. To tell the truth, I was not surprised by the fact, because America was at the time still unaccustomed to foreign investments in general, and there had been till then little financial

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connection between America and Japan, although the two countries had close commercial relations with each other.

I crossed the Atlantic with the hope that conditions in London would be comparatively favorable to the prosecution of my task. Great Britain was our ally; London was the leading financial market of the world; and Japan had friends there who had had the experience of issuing Japanese loans in the past. However, the negotiation of a loan at that critical time was no easy sailing. The British people were enthusiastic about our plucky struggle, and our friends in financial circles were willing to do all they could. How far the investing public would go in materializing the sympathy felt for Japan, was a very difficult question. Our British friends thought American participation would facilitate the business; but their sounding was no more productive of immediate results than my own previous attempt. They therefore advised me to begin by way of trial with the issue of a small amount of Treasury Bills. On the other hand, our Government was very anxious, as a point of prestige, to secure a substantial sum at the outset. It was after weeks of careful observation and delicate handling that I arrived at a provisional agreement with the group consisting of the Hongkong & Shanghai Banking Corporation, Parr's Bank, and the Yokohama Specie Bank, for a loan of £10,000,000, of which half the amount was to be immediately issued and the other half to be reserved for a future occasion. Our Government, desiring to have the whole sum issued at once, hesitated to approve of my plan.

It was at this juncture that I happened to sit by the side of Mr. Schiff at a dinner given by my personal friend, Mr. Arthur Hill. Mr. Schiff was introduced to me simply as an American financier on his way home from a visit to the Continent. I had not then a clear notion of his posi-

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tion and personality; but finding him uncommonly interested in the war as well as in the affairs of Japan, I naturally did my best to explain to him the situation of my country. How little did I think that this was to prove the beginning of his important relations with Japan and of a valuable friendship for me! That evening we parted as casual acquaintances. On the following day I received from Mr. A. A. Shand of Parr's Bank the intimation that an American banker was inclined to take up the issue of the remaining portion of our loan then under negotiation, and I learned that the banker was no other person than Mr. Schiff, of Messrs. Kuhn, Loeb & Co. of New York. After some inquiries about his firm's connections, I gave an assurance of my personal gratification, although I thought it premature to inform our Government of Mr. Schiff's intention at that stage.

It must be remembered that all this came to pass before Japan won the battle of the Yalu, which was ended on the 1st of May. Mr. Schiff's move to throw in his lot with Japan was taken before her first decisive victory. It would appear that just when the battle of the Yalu was being fought, he was engaged in his negotiations with the British bankers and in his endeavors to form the American group. Within a few days of the memorable battle the necessary agreements and arrangements between the Japanese Government, the British issuing banks, and Messrs. Kuhn, Loeb & Co. were concluded, Mr. Schiff's firm being formally represented in London by Messrs. Baring Brothers & Co. The result was the issue on the 11th of May of the Imperial Japanese Government 6 per cent. Sterling Loan for £10,000,000. The American portion of £5,000,000 was purchased from the British group by Messrs. Kuhn, Loeb & Co. and was issued in New York on the same day as in London by the group consisting of Mr. Schiff's firm, the National City Bank, and the Na-

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tional Bank of Commerce. The operation was overwhelmingly successful on both sides of the Atlantic.

It is scarcely necessary to say that the Japanese Government was deeply gratified with the successful issue brought about by the British initiative and the American participation. It got the money needed at the moment; but that was not all. The joint issue of our loan in London and New York was highly appreciated as a material manifestation of the moral support of our cause by the British and American nations. I have reason to believe also that the American participation in our loan was peculiarly gratifying to the British Government. Great Britain was thus in line with America in giving financial aid to Japan. The fact showed that sympathy with Japan and understanding of the Japanese cause were not confined to her British ally. The Marquess of Lansdowne, the British Minister for Foreign Affairs, expressed his great satisfaction to Sir Ewen Cameron of the Hongkong & Shanghai Banking Corporation when he was informed that a part of the Japanese loan was to be raised in America. Nor was it, I think, by mere chance that Mr. Schiff, together with his intimate friend, Sir Ernest Cassel, was given a private luncheon by King Edward just after the conclusion of negotiations for the loan. Sir Ernest was a great authority in international finance, and a *persona grata* in the King's Court. When I came to know him afterwards, he told me that His Majesty expressed on that occasion his gracious appreciation of Mr. Schiff's part in the Japanese loan.

How Mr. Schiff became interested in Japan I did not know fully at the time. He left London soon after the conclusion of the negotiations. It was later in my increasingly friendly intercourse with him and Sir Ernest that I gathered the motives and circumstances that led to Mr. Schiff's participation in the Japanese financial operation.

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By reason of his connection with Sir Ernest, Mr. Schiff must have been especially well posted in all aspects and bearings of Japan's conflict with the Northern Power. He must have been aware that American participation in the Japanese loan was ardently desired in England. He must also have had reason to be satisfied that he was not putting his hand in a losing game, for after all, business is business with a banker. We Japanese had the confidence in our future, and the Japanese loan was technically well secured from our point of view. But, judging from the appearances of the moment, the risks he incurred were no small ones. During my *pourparlers* with British bankers, Japan was often likened to a promising young man who had chances of success as well as of collapse, while it was thought Russia was like a landlord whose mortgage would remain safe irrespective of momentary vicissitudes. It cannot be gainsaid, therefore, that Mr. Schiff's deal was a very bold venture, especially if the fact is taken into consideration that foreign investment was not yet a beaten track of American high finance, and surely he did not make the venture for the sake of mere profit.

With a keen sense of justice which, I noticed on some occasions, went to the verge of severity, he was impressed by the justness of Japan's cause. It appeared to him an outrageous affront on the part of Russia to oust Japan out of Liao-tung in the name of Far Eastern peace, at the end of the Chino-Japanese War, then to snatch it off herself from China, and further to attempt to force back Japan in Korea. Thus his sympathy was fully enlisted for Japan. At the same time, he had a grudge against Russia on account of his race. He was justly indignant at the unfair treatment of the Jewish population by the Russian Government, which had culminated in the notorious persecutions. He harbored no ill-will toward the Russian peo-

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ple; but he thought the Imperial régime of Russia was utterly antiquated. A system of government which was capable of such cruelties and outrages at home as well as in foreign relations must be overhauled from the foundation in the interest of the oppressed race, the Russian people themselves, and the world at large. For this purpose, it was deemed desirable to admonish the ruling class of Russia by an object lesson. Happening to be in Europe and being conversant with the intricacies of the situation, Mr. Schiff saw in the war callously embarked on by the Russian Government a welcome opportunity for giving effect to his cherished idea. He felt sure that if defeated, Russia would be led in the path of betterment, whether it be revolution or reformation, and he decided to exercise whatever influence he had for placing the weight of American resources on the side of Japan.

Having thus come to the momentous decision, Mr. Schiff continued to be unfailing in meeting the needs of the Japanese Government in respect of the sinews of war. The negotiation for our second war loan, started a few months after the issue of the first, was again a knotty business, because, notwithstanding the continuous advance of our forces, the indecisive character of the battles fought in the intervening period, especially the delay in the expected fall of Port Arthur, disappointed foreign onlookers, who had become perhaps over-enthusiastic because of our brilliant achievement at the Yalu. The formidable inertia of our giant adversary loomed large, and doubts were entertained anew as to the ultimate outcome of prolonged hostilities. The Japanese Government and people expected to borrow on improved terms in consequence of their successive victories, while the feeling of the investing public abroad was sceptical and depressed. Moreover, the condition of the American market was not identical with that of London, the quotation of our previously issued bonds

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being lower in New York. Under these complex circumstances, our British friends were on the watch to seize a suitable opportunity and endeavoring to evolve some feasible plan. Mr. Schiff, on his part, again offered his service on an early occasion, and advised the Japanese Government to resort to another joint issue in London and New York. In his opinion, it would be advantageous for Japan to wait a little, as far as the condition of the American market was concerned; but he thought the most important consideration was to get ahead of Russia in the matter. His attitude was typically expressed in a cablegram to me, in which he said in part, "Our main desire is to again aid in sustaining the Japanese Government, which will be the surest way to bring this appalling war to early termination."

He did not merely follow the fortune of the war, but was determined to make a contribution of his own efforts with a view to affecting its course. Thus, in spite of divers difficulties, Messrs. Kuhn, Loeb & Co. and their American associates loyally coöperated with the British group. After a long and patient exchange of views between Tokio, London, and New York as to its terms and the moment of its flotation, the Imperial Japanese Government 6 per cent. Sterling Loan (second series) for £12,000,000 was jointly issued by the same British and American groups as before, on November 14, 1904, the arrangement being similar to that of the previous issue; i. e., the two equally divided portions of the loan were offered for subscription respectively in London and New York.

The satisfactory result of the operation went far to replenish our funds for carrying on the war. The effect on the morale of the belligerent parties was a still greater gain for us, because the successful issue of the loan furnished a signal demonstration of the fact that the unflagging support of the British and American financial

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markets was assured to Japan. It might have been thought that the coöperation of London and New York in our first war loan was but a fluke. The repetition of the arrangement even at a rather unpropitious moment tested the heart of the investing public, confirmed the fact of financial backing for Japan, and established a habitual form of international issue on which the Japanese Government might rely. The interest as well as the sympathy of the British and American groups, with the wide investing public behind them, was now firmly interwoven with the destiny of Japan. The fact must have been disappointing to those who looked for an early exhaustion of Japan's financial resources.

Shortly after the flotation of our second 6 per cent. loan, I returned home with the object of verbally reporting to the Government on various aspects of our financial operations abroad. Stopping on the way in New York, I was able to exchange views with Mr. Schiff in a mutually frank and whole-hearted manner. I found then that he had become attached to Japan along with, if not apart from, business considerations. His initial move in taking the side of Japan was avowedly actuated by his ideas about Russia. He may have judged the capabilities of Japan in the first instance merely from the technical point of view of a banker. But in the course of his transactions with the Japanese Government, his interest in our country became deeper, his heart was touched by our national traits, and he now entertained in regard to our people a warm feeling of hope, confidence, and concern. Not only did he tender me advice on matters of immediate concern, but he was mindful of the prospective economic development of Japan, and warned me of financial difficulties that would confront us after the war. I saw in him a true friend of my country, and my personal friendship with him may also be said to date from that time.

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Upon reaching the shores of Japan early in January, 1905, I received the news of the capitulation of Port Arthur, which had just taken place. After a few weeks' stay in Tokio, I started again for New York and London. When I arrived in New York on the 7th of March, our forces were gaining ground in the greatest land battle of the Russo-Japanese War, which resulted in the crushing victory at Mukden. Owing to the important developments at the front, the enthusiasm of the foreign public rose high, and the outlook for a new loan contemplated by our Government was bright enough. The only complication was caused by solicitation on the part of new would-be lenders. It was beyond question, however, that the Japanese Government would give precedence to the old groups as long as their terms were reasonable. Their assistance rendered us under the more precarious circumstances was by no means to be forgotten.

Mr. Schiff was joyous over the substantial successes of our arms. It was a source of great satisfaction to him that what he expected of Japan at the outset was being fulfilled. Discussing the prospect of the loan under consideration, Mr. Schiff assured me that he would concur in any terms that might be agreed upon between the Japanese Government and the London group. With this *carte blanche* from him, I went over to England. Our British friends being in an eagerly expectant mood, the negotiations proceeded quickly and smoothly. A great deal of time and trouble was saved by Mr. Schiff's generous undertaking given me by way of preparation, and a full written agreement was initialed on the 24th, within the short period of five days after my arrival in London. The result was the issue on March 28th of the Imperial Japanese Government 4½ per cent. Sterling Loan of £30,000,000, one half of which was taken up by the American group under an arrangement similar to that of the

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two previous occasions. The amount was an unusually large one according to the standard of those times. The consent of our British and American groups was secured on the ground that a liberal supply of funds to Japan following her signal victories would be effective in disheartening the Russians, and the response of the investing public was highly gratifying.

A new feature of this loan was the opening of a channel for receiving subscriptions in Germany. A group of German banks, in conjunction with certain British and American financiers, had offered to participate in the loan in the form of issuing a portion of it in Germany. As the old groups were anxious to bring out the loan as speedily as possible, there was not time enough to consider the proposition, especially because it would have been difficult to go through quickly the formalities required for the German issue. In deference, however, to the indicated desire of the German interests, the means of distributing our bonds in Germany was arranged through the connection of Mr. Schiff with Messrs. M. M. Warburg & Co. of Hamburg, who acted as agents of the issuing banks.

I had passed through New York three times after the outbreak of the war, but each time my days there were limited and occupied by impending questions of the moment. Following the exhortation of Mr. Schiff and my other American friends, I took the opportunity of the respite found after the issue of our first $4\frac{1}{2}$ per cent. loan and went to the United States at the end of April for a more leisurely stay. I happened to be in Boston when the naval battle of the Sea of Japan was fought on the 27th of May, and the first news of our victory came to me in a telegram from Mr. Schiff. Not long after the memorable event, *pourparlers* for the peace negotiation were started through the initiative and mediation of President Roose-

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velt. About the same time, our Government instructed me to make the utmost efforts to secure another substantial loan in the international markets. At once I consulted Mr. Schiff and cabled to our British friends. I think it was a piece of good luck that I was then able to discuss the matter personally with Mr. Schiff. I shall never forget our long conversations during a week-end at his villa in New Jersey where we exhaustively studied every aspect of the project.

From the beginning, Mr. Schiff and our British friends were of one and the same opinion, that the issue would not be impossible; but grave doubts were entertained, the more strongly on the British side, as to the advisability of launching the project at that moment. The time was too near the last loan. As its proceeds had been estimated sufficient to meet the requirements of the Japanese Government for about a year to come, it was not unnatural to think that there ought to be no urgent need for renewed borrowing, especially because peace now seemed to be in sight. A new issue under these circumstances might give rise to misgivings on the part of the investing public as to the motive of our Government and the trustworthiness of its financial calculation. It would be advisable, therefore, to postpone the contemplated operation until it was called for on more easily convincing grounds. These arguments were certainly cogent as far as they went. Furthermore, our British friends felt themselves to be in a peculiarly difficult position, because the instalments of payment of the previous issue were not yet completed in respect of their portion.

On the other hand, our Government had an eye on broader considerations. It was to be doubted if the Russian Government were sincerely intent on peace. As a matter of fact, our Government had the information that

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there was a strong military clique in Russia who believed in the greater staying power of their country and insisted on continuing hostilities to the bitter end. Notwithstanding the successive defeats of the Russian arms at the front, they seemed to stick to the view that Japan's financial strength would fall short if only they held out long enough. Japan was willing to restore peace on reasonable terms. But we were still at war and had to be prepared for all eventualities. Actually, military expenditures were little abated even after the peace overture. In case of the failure of peace negotiations, there would be a redoubled need for war funds, and the temper of the foreign markets would most likely become unsuitable to our borrowing. Besides, in view of the attitude of the Russian military clique, abundant financial equipment on our part was a surer way to the attainment of peace. It was for this reason that our Government wanted further to amplify the funds at its command before the meeting of the Plenipotentiaries. If the war was happily brought to a close, the proceeds of the loan could be used for the financial adjustment and economic development of the country.

After listening to my explanation and maturely weighing all considerations, Mr. Schiff definitely assented to the view of the Japanese Government, and assured me of American support. He thought it desirable that German interests should be included in the operation in order to avoid overloading the Anglo-American markets. There was no doubt that German participation would be considered opportune by the Japanese Government for diplomatic reasons, too. Mr. Schiff confidentially sounded the German market, and was assured that Messrs. M. M. Warburg & Co., together with a group headed by the Deutsch-Asiatische Bank, would be ready to participate in the

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loan. I understood that Mr. Max M. Warburg, together with the president of that German bank, happened to be in the Kaiser's company on a yacht, and they were urged by their Imperial master to proceed forthwith in the Japanese business. Mr. Schiff would be ready to take up our loan with the coöperation of his German friends, even if the British group stayed away, although he preferred and hoped to go with our British friends. Further to expedite the business, Mr. Schiff secured in advance the consent of the German parties to put off the completion of usual formalities to a future date.

With the ground thus prepared in New York, I urged the British group to fall in with the desire of our Government and to strive for a joint issue in England, America, and Germany. Mr. Schiff also communicated with Lord Revelstoke of Messrs. Baring Brothers & Co., explaining the reasons of his concurrence in the Japanese view. There was no question that our British friends were unaltered in their ardent intention to render assistance to the Japanese Government, and, pending my return to London, they complied with my request to proceed in making all possible preparations at the European end. I arrived in London on the 2d of July. After one or two private talks and a conference of the representatives of the issuing banks on the following day, in which I fully explained the view taken by the Japanese Government, our British friends reached the final decision to undertake the issue in conjunction with America and Germany. All the arrangements were completed in a few days and the Imperial Japanese Government 4½ per cent. Sterling Loan (second series) for £30,000,000 was issued on the 11th of the month, the amount being equally divided among the three countries. The German group consisted of the Deutsch-Asiatische Bank, with whom eleven leading banks were associated, and Messrs.

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M. M. Warburg & Co. They took their portion under an agreement with the British group, but were authorized to issue it in their name, after the precedent in the case of New York. The question of the footing of the German group was a rather delicate one, the solution of which was much facilitated by Mr. Schiff's preliminary exchange of views with his German friends, although the definitive settlement of the matter was left to the negotiation of the interested parties. This international loan of the Japanese Government was over-subscribed about ten times, a large number of applications for small amounts being a remarkable feature of the lists. It is needless to say that the Japanese Government and people most warmly appreciated the good will, coöperation, and assistance of the old British and American groups and the new German group, which widened the field of our financial operation and strengthened our position both in the war and in the peace parley at that extremely important juncture.

I learned afterwards from Marquis (then Baron) Komura, our Minister for Foreign Affairs and Chief Plenipotentiary at Portsmouth, that it was he who desired to be backed in his diplomatic negotiations by a big international loan. In the *Memoirs* of Count Witte, the financial situation of Russia at the time is described in the following words: "We had exhausted all our means and had lost our credit abroad. There was not the slightest hope of floating either a domestic or a foreign loan. We could continue the war only by resorting to new issues of paper money." The Count points to the Russian "optimism regarding the outcome of the war" as one of the causes of this "lamentable situation"! How different a picture was it from that of Japan! Sir Ernest Cassel, who was in wide and close touch with international affairs, disclosed to me his observation that the appointment of Count (then Mr.) Witte as Chief Plenipotentiary in the

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middle of July was the first indication of the real inclination to peace on the part of the Russian Government, which must have been influenced by the announcement of the Japanese loan. Warfare, diplomacy, and finance are mutually related. While financial operations were affected by the course of the war and the conduct of diplomacy, the financial support of our foreign friends and the foreign investors largely contributed to our success in the war and the consummation of peace. In this respect the part played by Mr. Schiff was, indeed, a remarkable one, especially in regard to our first 6 per cent. and second 4½ per cent. loans.

When the peace terms were agreed upon at Portsmouth on the 29th of August, Mr. Schiff did not lose a moment in cabling to me his heartfelt *Banzai*. His foresight evinced at the very early stage of the war as to the outcome of the conflict was now proved unerring. As regards the internal condition of Russia, the march of events was, on the whole, in the direction of his vision, for the political and social fermentation of the country became increasingly active during and after the war, and the Imperial Government had to make concessions to popular demands culminating in the constitutional manifesto of October, 1905, and the subsequent establishment of the Duma. It is not for me to pass judgments on the merit of Russian reforms. But I think Mr. Schiff must have derived some measure of satisfaction, at any rate, from the changes that took place in the methods of the Czar's Government.

After the war, Mr. Schiff continued to take a lively interest in Japan. In the spring of 1906, he visited our country with Mrs. Schiff and a number of his friends. As the account of their tour is fully given in his printed diary, I need not repeat it here in detail. Marks of gratitude and respect were showered upon them cordially and

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extensively. They met representative men and women of nobility, officialdom, and business circles. The most exclusive homes were intimately open to them. And to crown all, the Emperor Meiji received Mr. Schiff in private audience to be followed by luncheon. On his arrival at the Palace, he was invested with the insignia of the Order of the Rising Sun, which is more distinguished than the Order of the Sacred Treasure bestowed upon him in the previous year. In the audience the Emperor thanked him for the important assistance rendered by him to the nation. At the luncheon, where I had the honor to be of the company, Mr. Schiff inquired if it would be proper for him to propose the health of the Emperor. As the idea was without precedent, the Minister of the Imperial Household was undecided in his answer. The Emperor himself expressing his approval, Mr. Schiff rose and drank to his health, applying to him the saying about George Washington, "first in war, first in peace, first in the hearts of his countrymen." The Emperor in turn proposed the health of Mr. Schiff. Though unprecedented and unpremeditated, the occurrence did not look to be out of place, owing, I think, to the sincere straightforwardness of Mr. Schiff and the good sense of the Emperor. The fact shows that the reception of Mr. Schiff in the Court was more than a formal function. So was also the welcome accorded to his party in various quarters.

The economic growth of Japan and her relationship with America were objects of Mr. Schiff's keen concern. In and out of business, by act or advice, he was anxious to aid the Japanese Government and his Japanese friends. After the enthusiasm of war time subsided, there were not as many occasions for our big transactions in New York as Mr. Schiff might have desired, because the financial market of America was not generally ripe enough

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for foreign investments. But he did whatever was in his power when opportunity offered itself. The participation of the old American group in our 4 per cent. Sterling Loan of November, 1905, and the issue in New York of a portion of the Tokio City Loan of 1912 are the most notable instances of the realization of Mr. Schiff's idea. The sale abroad of shares of the Industrial Bank of Japan as a means of facilitating the introduction of foreign capital by that institution was first suggested to me by Mr. Schiff, although the materialization of the plan was effected through a London house. Less notable instances of his friendly disposition toward Japan are too many to be enumerated here.

When the World War broke out and Japan became engaged in hostilities against Germany, Mr. Schiff avoided for a time public relations with Japan, because, as he wrote to me at the time, Germany was the country of his birth and his bonds to her ought to be closer than to any other country, except the United States of which he was a citizen. He wished, however, to maintain unchanged personal relations with his Japanese friends. The cloud was all cleared when America entered the war, for Japan was now on the same side as Mr. Schiff's country. He held cordial intercourse with Viscount Ishii, who went to America on an official mission. He was in touch with Baron Megata, who headed our semi-official economic delegation to the United States. "America, with the Allies, must win by all means; Japan and America must be drawn still nearer together." Words to this effect were repeated in his letters to me. He was happy to live long enough to see the end of the war. "What a blessing," he wrote to me in December, 1918, "that this awful war is over! A better world and humanity shall be the result of all the great sacrifices that have been brought."

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I am sure that Mr. Schiff died as good a friend of Japan as ever he was. His achievements for Japan will remain in the state records of the country and in the hearts of his Japanese friends.

Schiff's direct part in the first negotiations is further revealed by a letter from Lord Revelstoke, of Baring Bros. & Co., May 10, 1904, expressing his pleasure at having had the opportunity of being connected with him in the recent negotiations:

It has been a particular privilege to me to realize your masterly and straight-forward conduct of affairs, and I congratulate myself and my firm on having had the good fortune to have been brought afresh into such pleasant relations with you.

It was characteristic that, while supporting Japan in the war by loans, he sent a check for \$10,000 to the Consul General of Japan in New York, "as an anonymous contribution toward the fund for the wounded and stricken in the war," and on the same day sent a check for a like amount to Count Cassini, the Russian Ambassador at Washington, as a contribution for the wounded and stricken of Russia.

In the chapter on Russia there is reference to Schiff's connection with the efforts made at the time of the Portsmouth Conference (which resulted in the treaty of peace between Russia and Japan) favorably to dispose Count Witte to improve the condition of the Jews in Russia. But it is quite obvious that, aside from this, Schiff was anxious to see a treaty made, and he gave delicate, though quite direct, intimation of his views to this end:

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Bar Harbor, August 25, 1905.

HIS EXCELLENCY, K. TAKAHIRA,
MINISTER OF JAPAN AND ENVOY PLENIPOTENTIARY,
PORTSMOUTH, N. H.

DEAR MR. MINISTER:

I have greatly hesitated whether I should address you, and I earnestly beg of you in advance that you do not misunderstand the purpose and spirit of this letter. I know Japan needs the advice of no one, and that those who at this crucial moment have the responsibility to decide whether the war shall be continued or not must best know what the interest of their country demands. I have thought, however, that an expression on my part as to the effect of a continuation of the war upon the borrowing powers of Japan in foreign markets might not be unwelcome to Baron Komura and you, and it is upon this I have concluded to write you.

It is quite evident, if the reëstablishment of peace does not result from the present negotiations, the conclusion will force itself upon the world that the war must be continued *à outrance*, or until either Japan or Russia shall become completely exhausted. It is true, Russia will not be able to find money to any large extent for a continuation of the war, either in Paris or Berlin, but she will at once have recourse to her very considerable gold reserve and will not hesitate to abandon the gold standard for the time being. It will be a terrible blow to her commerce, to her national credit and to her entire future, but she will in the hour of her despair not flinch from inflicting it in order to secure the sinews of war.

As to Japan, there will be an immediate fall in the price of her foreign loans of from 5 to 10 per cent. This in itself would be nothing. When investors buy bonds at war prices, they must also take the chances which war brings with it. What I do apprehend, however, is that the money

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markets of the United States, England, and Germany will, with the belief of a war *à outrance*, no longer be prepared to finance Japan's requirements to any great extent. It is this I deemed my duty to say to you and Baron Komura, though I shall add the assurance that my own firm will stand by Japan with all the resources and influence at its command, whatever may come of the negotiations at Portsmouth.

With expressions of high esteem, both for you and Baron Komura, I am,

Yours most faithfully,
JACOB H. SCHIFF.

On February 22, 1906, Mr. and Mrs. Schiff started from New York for the journey to Japan, accompanied by their nephew, Ernst Schiff, of London, Mr. and Mrs. Henry Budge, and Mr. and Mrs. Sigmund Neustadt, the parents of their daughter-in-law. They sailed from San Francisco March 9th. Of this journey there exists a unique literary record in the form of a quarto volume beautifully printed on Japan paper and charmingly illustrated, bearing the inscription: "*Our Journey to Japan*, by Jacob H. Schiff. Printed as a surprise to the Author, January 10, 1907." The explanation of this rather unusual title page is that his family kept the letters which he sent home, and that Mrs. Schiff had them printed and presented the volume to him on his sixtieth birthday. The letters, which are in the form of a diary, contain a full description of every day's occurrences. On May 14th, the day of their departure from Japan, Mr. and Mrs. Schiff gave a dinner, at which many notables were present. On this occasion he made an address which is thus recorded:

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YOUR EXCELLENCIES, LADIES AND GENTLEMEN:

It is very good of you to have done Mrs. Schiff and me the honor to accept our invitation, so as to enable our friends and ourselves to meet you once more socially before we have to return to our own homes. Let me thank you for the beautiful hospitality you have shown us, for the endeavors some of our particular friends, whom we have the pleasure of having with us this evening, have made to add to the enjoyment and to the interest of our visit, wherever we wend our way. Now that our visit draws to its end, we leave with much regret, and, I assure you, with a feeling of cordial attachment for your country.

While here I have been asked repeatedly what impressions we were receiving, but, not wishing to express prematurely formed views, I have rather sought until now to avoid a reply. I know, however, I shall be asked the same question as soon as we land upon our own shores, and in parting from you I think I may tell you what my reply will be. I shall say that the inherent characteristics of the people of Japan appear to be simplicity, frugality, and loyalty—loyalty to their Sovereign, loyalty to their country, loyalty to one another. I shall speak of your piety and of the touching reverence the young have for the aged, of the love with which the aged dote upon the young. I shall say that in my opinion your people derive their strength and self-reliance from their early and systematic practice of manly sports, developing themselves physically and at the same time becoming accustomed to control and to subjugate their passions, and from thirst for learning, education having been made almost as accessible and as free as the air they live in. I shall also feel justified in saying that Japan having just been victorious in one of the greatest wars in history, its people have not become overbearing, but have modestly returned to their daily occupations, evidently resolved to secure by peaceful means

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compensation for the sacrifices which have been brought, by opening new markets for their commerce and industry—willing, however, to share these markets with the other nations of the world, and that because of this, Japan should have the good will of the other nations and the recognition of leadership in this hemisphere which now of right belongs to it. Thus I shall speak of Japan and its people. You have your faults; who has not? You have your curio dealers, but even these appear to be willing to let one keep just enough to pay for the return home.

And now this: Two months ago we came here to visit you in order to become better acquainted with your country, your people, and their customs. We came as strangers, but you received us with open arms and soon we were strangers no longer. I know you desired to show your appreciation of the service it was my good fortune to be able to render your country at a time when it needed friends. But now that this account has been so liberally balanced by you, may I not express the hope, if we should come again, or if it should be our still greater privilege to welcome any of you in our own homes, that no other motive will then be needed for our hearts to open to each other than that friend meets friend! By no word in our own language can I so adequately express what I, and with me, no doubt, Mrs. Schiff and our friends, would wish to say in this parting hour than by your own *Sayanora*—"if it must be." And now I lift my glass to your health and to your happiness and to the prosperity of your country—*Sayanora!*

His own estimate of this journey is contained in the concluding words of the diary. Describing their arrival in New York on Friday, June 8th, he says:

Thus is ended our journey to the "Far East," covering 20,000 miles during an absence of fourteen weeks. Suc-

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cessful from start to finish, we are grateful to God for the good health all of us have enjoyed throughout, for having indeed blessed "our going out and our coming in." It has been the most interesting episode of our lives, to which we hope to be permitted to look back for many years to come, and when we have passed away, perhaps this record of the enjoyable journey of the parents and grandparents may stimulate the interest of children and grandchildren in a civilization which is now so rapidly changing, and in countries destined to play a most important rôle in history yet unwritten.

There are other intimate letters which supplement those that he wrote to his family. One went to Cassel, from Tokio, April 8, 1906:

It is two weeks since we arrived in the Land of the Rising Sun, and we are enjoying every hour of our stay. Everybody from the Mikado down does his utmost to be kind to us, and we have therefore been given an opportunity to study every phase of life in Japan. The day after our arrival in Tokio, the Emperor received me in special audience, bestowed upon me the Order of the Rising Sun, and gave a luncheon in my honor for about fifteen persons. The life in the palace resembles exactly that of the European palaces, and the Monarch might just as well be a European potentate as the Mikado of Japan. After this a succession of dinners and garden festivals followed, on the part of the American Chargé d'Affaires, the Minister of Finance, the directors of the Bank of Japan, etc. It is most touching how our friend Takahashi smooths the way for us in every direction. Mr. Takahashi himself lives according to the Japanese custom, and his family speaks only the language of the country, but we got along quite well at a luncheon which we took at his house, sitting and eating in the Japanese fashion. We expect to go to the

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North within the next few days, and then to Kyoto in the South, and through the Inland Sea, which will probably take up most of the time at our disposal. We intend to sail on May 18th.

The impression I have formed of the people is that they are possessed of great intelligence, industry, and modesty. The Government appears to be perfectly organized, to be proceeding conscientiously in all departments, and not to be greatly influenced by public opinion. It is impossible for me to state at present whether the resources of the country are very great. It rather seems to me that the chief strength of the country must be sought in the continued development of industry. Japanese policy is very evidently directing all its attention to the creation of new markets by colonization, especially in Korea and Manchuria. There is no doubt that everything is being done to bring China and her great resources under Japanese influence.

I had a conference recently with the Minister of Finance, Sakatani, who has explained his plans to me. He expects to be able to use about 30,000,000 yen annually for amortization purposes if the present tax rates are maintained. The private railroads, as you know, have recently been nationalized, for which purpose, beginning within two years, about 400,000,000 yen of 5 per cent. Internal Bonds are to be issued over a period of ten years. The Government, however, expects to do a lucrative business with the roads, because no unprofitable connecting lines are included in the purchase.

The nation learns quickly, and will not make many mistakes which might permanently impede the development of the country. With the enormous labor supply of the country, with the water power which every mountain and hill in the country yields (and which is just beginning to be used for the production of electricity), and last but not

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least, with the earnestness with which every enterprise is undertaken, the country has without doubt a great future in store for its new development.¹

Mr. and Mrs. Schiff brought back with them from the journey to Japan Takahashi's only daughter, then a young girl, who lived in their home for nearly three years. Promptly upon his arrival in New York, on June 14, 1906, he wrote to Takahashi, largely about the comfort and education of the young lady:

Wakiko, who tells us that she is writing home regularly, is in fine condition, and evidently most happy in her present surroundings. She is most sympathetic to our entire family, including Mr. and Mrs. Warburg and their children, who are living with us during the summer, and also to Professor Loeb and his wife, who, as you will remember, are living in the other house. Mrs. Loeb is quite musical, and she has interested Wakiko in her piano-playing, which appears to be much to Wakiko's liking. Our grandchildren's governess, who is an accomplished teacher, has provisionally taken up English with Wakiko, who, I believe, will rapidly pick up our language, as she appears to be very ambitious. Mrs. Schiff has arranged with Mrs. Imanishi that the latter pay us a visit next week, and she will then plan with her methodical instruction for Wakiko, which, however, during the summer months cannot be undertaken as regularly as will be possible when we go back to town next autumn. Meantime, Mrs. Takahashi and you may rest assured that everything that is proper and advisable will be done for your child, to whom we have already become much attached. Climate and food appear to be entirely congenial to Wakiko, and her health,

¹ Schiff wrote an article entitled "Japan after the War," in which these questions are interestingly discussed, for the *North American Review* of August, 1906. Vol. 183, pp. 161-168.

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in consequence, is in every way as her mother and you could desire it to be.

There is a great deal in the letters about the education of Miss Takahashi, and one very curious incident occurred when some books were sent to her which apparently had the purpose of converting her to Christianity. Schiff wrote:

For reasons of their own, Miss Takahashi's parents have deemed it well to bring her up in the Shinto religion, and we have never found on her part any desire to change her religion. We have, in consequence, felt in duty bound not to permit any outside influence to be brought on the young girl which might influence her to become a Christian, and as the books sent by Miss G——, no doubt with the purest intention on the latter's part, were of a proselyting character, we were unwilling to advise Miss Takahashi to accept them.

Miss Takahashi shortly returns to her Tokio home, and if her parents then deem it well to have her change her religion, they will no doubt do it under their own guidance, her mother being already a Christian. I am writing you at length, so that you may understand the position in which we find ourselves as trustees of parents for their child, and we hope that, in any event, you will come to our house and visit Miss Takahashi socially, when she again comes to us from Briarcliff School, where she returns in a few days.

After she left New York, Schiff wrote to her brother in London, March 25, 1909:

Wakiko is now nearing home, and we expect to learn to-morrow or the day after of her safe arrival in Japan. We cannot tell you how much we miss the dear girl, and what a source of satisfaction her stay with us for the past three years have been to us. Though she has now

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grown into a young woman—she was only a child when she first came to us—she has remained lovable, sweet, unsophisticated, and most modest in her ways and manner. Wakiko's parting from us was as hard for her as it was for us, but we have all the time known that sooner or later we should have to give her up again, and it is but right that she should not have stayed away any longer from her parents, who have made so great a sacrifice in parting from their child so that she might have the advantage of a foreign education, and after all Japan and not America is her home and her destiny. We shall never forget Wakiko, and, even when parted from her, we shall love her for the pleasure and satisfaction she has given us for the time she was with us.

I trust before long you will yourself be in a position to return to Japan, and we are sure you will then derive much happiness and pleasure from a reunion not only with your parents, but also with Wakiko.

When the Japanese Government proposed to convert its 6 per cent. War Loan into a 5 per cent. loan, the great financial depression of 1907 had set in. On March 6, 1907, Schiff wrote to the elder Takahashi, then in London:

You appear to have made very considerable progress during the past week or two in coming to an arrangement through which the redemption of the 6 per cent. War Bonds can be secured. While the proposed negotiation of 5 per cent. Bonds in Paris and London is naturally not as advantageous to your Government as had been hoped, yet with the great change which has come over the international money markets, and which for the time being has practically closed the American market not only to foreign, but also to the best home investments, I think it is an accomplishment that you can be proud of to

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float £23,000,000 of 5 per cent. Japanese Bonds at almost par. This accomplishment is perhaps even greater than your earlier negotiations, made at a time when both the markets of Europe and America were eager for investments, in strong contrast to the conditions which exist now.

I am personally, and so are my partners, deeply sorry that under prevailing conditions we shall be unable to give the coöperation which we would have been very desirous of rendering to your Government and you in refunding the foreign war debt. We have felt, however, that the American market should, at least to the limited extent to which this is now possible, be preserved for your Government, and we have in consequence, as you already know, arranged to receive subscriptions here for the new 5 per cent. Bonds, in the hope that the American holders of the 6 per cent. Bonds may conclude to continue their investment by subscribing to the 5 per cent. Bonds. How successful we may be in this effort we cannot tell in advance, as we have no data from which we can judge of the amount of 6 per cent. Bonds still held here and of the manner in which these may be held. . . . We thought we owed it to you and your Government to officially receive subscriptions here, even without the possibility that profit accrue to us from this.

By 1908 the money market had changed, and he wrote to Takahashi on July 17th:

We are just now, as you know, negotiating through Mr. Imanishi for the purchase of \$2,000,000 in short notes of the Oriental Steamship Company, endorsed by the Yokohama Specie Bank.

When the Great War broke out in 1914, and Japan, because of her understanding with Great Britain, con-

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templated at once entering the war, Schiff greatly deplored this intention, and indicated his view to some of his friends in Japan. However, he came to the conclusion after reflection, and so stated to some correspondents, even before America entered the war, that he understood why Japan from her point of view could hardly have acted differently.

When Takahashi became Minister of Finance toward the end of the war, Schiff wrote him:

From what you had written to me some time ago, I had gained the impression that you had retired for good from political activity, preferring to enter upon the rounding up of your many years' activities for the weal of your country by devoting the remaining part of your life to altruistic and other work of general utility. I suppose, however, you felt that you had to obey the call of your party, which, as I can well understand, needed you in its assumption of the government of the country, and as this, I understand, is the first time that an out-and-out party government has been established, it is but right that its strongest men should come forward to make this successful.

During the past two weeks, I met Mr. Uchida, recently Minister to Sweden, who passed through here on his way home, and whom I charged with my messages and greetings to you. I have also met recently Mr. Hioki, your new Minister to Sweden, who sails for his post to-morrow, and who brought me, to my gratification, very recent and good news from you. Last night I was at a dinner given by Consul General Yada to Ambassador Viscount Ishii, who grows increasingly sympathetic to me the more I see of him; when we meet, we always talk of you, of whom the Ambassador appears to have a very high opinion, which does not surprise me.

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The Japanese officials have in their own way honored Schiff's memory since his death. In June, 1921, the Japanese Consul in New York attended the opening of the Schiff Parkway in lower Manhattan, and the Japanese Financial Commissioner, Kengo Mori, on his way from London to Tokio laid a wreath on his grave. This practice of keeping his memory in mind is still maintained by representatives of Japan, who make a pilgrimage to his grave, or, to use their own expression, "visit him," from time to time.

The Empire of China too, had trade and financial relationships with Europe and America. In the natural course of things, resort would no doubt have been had to bankers in England and on the continent of Europe for purposes of borrowing; but, in spite of the friction regarding the immigration of coolies into the United States, China early recognized that there was less danger from political interference if her obligations were placed through American rather than through European financiers, since it was obvious that America had no designs upon her territory.

This attitude of mind was the product of long and careful cultivation. From 1874 on, the Secretary of the American Legation at Peking was S. Wells Williams, the most distinguished Chinese scholar that America has ever produced. He was sympathetic to the country and did much to develop friendly relations with its people. James B. Angell, the wise president of the University of Michigan, who served as Minister to China, deepened this feeling of mutual friendship between the two countries, even though he was obliged to negotiate

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a semi-exclusion treaty with the Chinese Government.

John W. Foster, who had served in many public offices, and was Secretary of State for a short period during the administration of President Harrison, came nearer to being the trained diplomat of the United States than any other man of his generation. After leaving public office, Foster represented various international causes, both privately and at tribunals, and American interests in China absorbed much of his attention. Schiff was in direct communication with Foster at least as early as 1892, a date considerably anterior to his Japanese connections. During the Chino-Japanese War, there seem to have been renewed inquiries with regard to an arrangement for a loan to China in the United States, and Foster approached Kuhn, Loeb & Co. on November 2, 1894, concerning a loan of £1,000,000, and stated the terms, adding:

This latter I understand was intimated by Mr. Schiff to General Wilson when the inquiry was made a few years ago.

On November 30th, Schiff wrote to Cassel, following up a cable about China:

I am afraid we said more to you than was necessary or justified by the prospects for negotiation. But Ex-Secretary Foster was very insistent, and expressed the opinion that we ought not to lose the opportunity to get a point of contact in Peking. . . . We shall now await the turn of events and shall only trouble you again after peace is established and relations between China and Japan are placed upon a permanent basis.

The next year, the financial negotiations with the Chinese Government were transferred to England, and

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Cassel called Schiff's attention to them. He congratulated Cassel on learning that the latter was engaged in Chinese financing, and added:

Foster cabled yesterday from Tien-Tsin, to inquire whether it was possible to form a strong American syndicate to take over the construction of a road from Canton to Peking.

He wrote to General Wilson, April 30, 1895:

I suppose you have heard nothing further from Foster in response to your last Friday's cable. As you will see from the within cable, received from Cassel this morning, he is fully alive to the situation, and, while he is, no doubt, not correctly informed in this instance, it will be well for Foster to keep his eyes open and not lose any opportunity which may offer to secure financial and railroad negotiations, which, I feel satisfied, with Cassel's aid we shall be in an excellent position to handle.

The Boxer Rebellion, so-called, was the first of the more recent anti-foreign demonstrations in China. Schiff wrote to General Wilson, July 23, 1900:

No doubt China has been sinned against, and the present outbreak, horrible as it is, is perhaps only the natural consequence.

He looked to General Wilson, who was then at Washington, for information about Chinese affairs—information which it was indeed difficult to get with certainty either from the Department of State, or from the Chinese Legation, which was then presided over by the talented Mr. Wu. At that time scraps of cablegrams had reached the Department and the Chinese Legation, and the endeavor was made to piece them together, par-

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ticularly to determine whether the American Minister, Conger, and the Secretary of Legation, Rockhill, and their families, were still alive. In such a condition of affairs, financial negotiations were necessarily suspended. However, in February, 1901, Schiff wrote to Wilson:

Referring to the conversation which we have had, and to your desire that I give expression in writing to what I have said to you as to my views concerning Chinese finances, so as to enable you to clearly submit these views to the Secretary of State, I beg to say as follows: The tangible revenues of China are now pledged to a large extent for the service of its external indebtedness, and it would not be possible to base another large loan upon the customs receipts of the treaty ports. To obtain the large loan China will have to raise in order to enable her to pay the indemnity which is to be demanded from her by the Powers, an entirely new system of taxation will have to be created, with the assistance and approval of the Powers, and the revenue from this must be made sufficient for the Government's internal needs as well as for the service of its enlarged indebtedness.

To create such a revenue system will take time, and its management will probably have to be placed under the control of a mixed commission of representatives of the Powers, such as, to a smaller extent, became necessary in Egypt after the Arabi Pasha revolt in 1881—which has resulted not only in extricating Egypt from the bankruptcy then hanging over it, but in placing its finances on a basis almost equal to that of England. In such an arrangement our Government should and can take a leading part, for the large loan which will have to be raised by China will, in all likelihood, have, to a considerable extent, to be placed upon the American money markets, the European financial centers not being in a condition to take a large part of such loan.

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American policy, which was opposed to the partition of China among European Powers, was laid down in John Hay's famous "open door" note; and various friendly acts of the American Government after the Boxer Rebellion indicated its purpose of pursuing this course.

Over a period of years after 1905 a remarkable young man, Willard Straight, was animated by the high purpose of supporting this policy of aiding China and maintaining sound financial relations between China and America.¹ Straight was at Seoul, in 1905, as Vice Consul and Secretary to the American Minister, Edward V. Morgan, and that year Harriman visited Seoul and became very much interested in Straight. When Japan virtually absorbed Korea after the Russo-Japanese War, the American Legation at Seoul was closed, and its business transferred to Tokio, Straight being later appointed Consul General to Mukden. His whole idea was, wherever he had the opportunity, to protect China against foreign aggression. This he felt could only be attained by the promotion of American interests in northern China, and in his opinion there was but one way to bring that about: invest large sums of American capital in Manchuria, build railways, and develop natural resources.

Harriman, who always sought for other worlds to conquer, had harbored for some years a plan for a world-transportation system, and his journey to the Far East in 1905 was undertaken largely in the hope that the Russian Government would transfer control of the

¹ See *Willard Straight*, by Herbert Croly; also Kennan's *Harriman*, Vol. II, chap. 18, esp. p. 22.

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Trans-Siberian Railway to an American company. While visiting Japan in 1906, Schiff too became convinced that that country would endeavor to colonize Korea and Manchuria, and make every effort to bring China completely under her influence. His concern in Japanese financial affairs included the contemplated extensions of the Manchurian railways (which had gone to Japan by the Treaty of Portsmouth), and his letters after May, 1906, chiefly to Cassel and Takahashi, indicate a sustained interest in that project, to which Harriman turned when his trans-Siberian project came to naught.

By the time the Japanese were ready to proceed with the financing of the Manchurian railways, the panic of 1907 was under way in America, and partial negotiations were carried out in London. But when conditions in America improved, Schiff wrote to Takahashi, on August 31, 1908:

May the moment not have come to again take up the question whether the burden of financing the South Manchurian Railway had not better be lifted from Japan's shoulders?

At about this time Straight entered into direct relations with Kuhn, Loeb & Co. On December 14, 1908, Schiff wrote to Straight, then acting head of the Bureau of Far Eastern Affairs in the Department of State at Washington:

We are informed to-day by London friends that an issue of the Manchurian Loan is imminent there. Can this be correct, and has this anything to do with the matter which we have under discussion with you?

They had got to the point that year when Schiff told

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Straight, on November 2d, that they were prepared to take up the question of the Manchurian loan on the basis of a memorandum submitted by Tang, the Governor of Feng-Tien. The latter was then on his way to America, primarily for the purpose of negotiating a loan of \$200,000,000—\$300,000,000, to reconstruct the whole Chinese fiscal system. The memorandum had been prepared in China by Straight and Tang, and was directed primarily toward the project of a Manchurian bank for the promotion of industrial enterprises. When Tang arrived, Kuhn, Loeb & Co. expressed their readiness to consider the loan. The negotiations, however, were suddenly ended by the death of the Empress Dowager and the Emperor and the consequent compromise of Tang's position as a negotiator. On March 19, 1909, Schiff wrote to Straight:

It will perhaps be well if you will endeavor to keep in direct touch with Tang, so that he may not forget about our own readiness to deal with Manchurian and Chinese matters, but as to the advisability of this you are best able to judge yourself.

His interest in another large plan which had arisen in the meantime is evinced by a letter to Takahashi, December 24, 1908:

The suggestion has very recently been made to us by some one who is high in the confidence of our own Government, but whose name I am at present not at liberty to disclose—nor do I know whether his suggestion has been made with the knowledge or at the instance of our Government—that we formulate a proposition, to be submitted to the Chinese Government, under which the latter would be furnished with the funds to enable it to purchase both the Chinese Eastern Railway and the South Man-

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churian Railway, if it would be found possible by China to arrange with Japan that it already now exercise its right of purchase which, it is stated, will, under the concession, accrue to China in 1932.

We have not yet come to any conclusion as to what attitude we should take to these different suggestions, and if you can, with propriety, do so, I would much like to have from you an expression of opinion, perhaps by cable, upon the situation as I have herein presented it to you. We want, in the first instance, to be certain that we do what is satisfactory to your Government. I have thought that possibly in the light of the memoranda recently exchanged between our own and your Government, reiterating their understanding as to the "open door" in China, it would in itself be a desirable thing to accomplish, if American capital could be made the stakeholder of the main line of communication and transportation both in southern and northern Manchuria, and if, at the same time, Japan could mobilize so important an asset as it now has in its shareholding in the South Manchurian Railway. I shall look forward with much interest to the expression of your views of this situation.

Four days later he again wrote to Takahashi:

The more I think about this, the more I feel, as a well-wisher of Japan, that the suggestion of permitting China to acquire the South Manchurian Railway now, provided China can also obtain ownership of the Chinese Eastern Railway, should be given serious consideration by your Government. Entirely independent of the fact . . . that thus a large part of the "lock-up" of your Government would be turned into an asset through the disposition of which considerable debt reduction could be accomplished, it would place Japan in a position where, with the passing out of the hands of Russia of the Chinese Eastern Railway, the influence of the latter would become so much

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further removed from both China's and Japan's borders. The danger of renewed conflict in this direction would thus become so thoroughly eradicated that Japan would very likely be in a position to reduce a large part of her military strength and equipment, which, while the South Manchurian Railway is in Japan's possession, must continue to be maintained, both because of China and Russia. Moreover, the possibility always will exist that with the South Manchurian Railway exclusively in Japan's hands, at some time the Chinese Government might be induced to build a parallel line, which would not only create standing danger and friction, but would also materially reduce the value of the important investment which Japan has in the South Manchurian Railway.

I need hardly say to you that as far as my firm is concerned, we want to do nothing except what shall prove to the advantage of your country and government and what may appear satisfactory to the latter, and I am therefore looking forward expectantly to learn how you and the members of the cabinet, with whom you may possibly advise, look upon the suggestion as to which I am writing you.

Early in January, 1909, he learned that the Japanese would not consider selling, and advised that the project be dropped.

The Taft Administration took the view that diplomatic approaches to China must, following the European example, be supplemented by financial support. Secretary Knox insisted that the United States must have equal participation with the other great powers, as a matter of national policy, and as a result the American group for Chinese financing was formed, as is indicated by Schiff's letter to Takahashi, June 15, 1909:

You will no doubt have learned that, encouraged by

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our own Government, we have recently formed a financial group here, consisting of Messrs. J. P. Morgan & Co., the National City Bank, the First National Bank, and ourselves, to take part in the financing of Chinese Government railway loans.

In May, 1909, the Chinese Government had made a contract with the British, French, and German interests for the construction of the Hukuang railways to the west and south of Hankow. But China had agreed in 1904 to give American capital a chance to participate in at least one of these railways, and the Department of State called upon China to abide by the agreement. Once the question had been actively raised by the Government, no one firm could be allowed to represent American finance. Accordingly, the American banking group was formed to finance any concessions for railroads which American capitalists might get from the Chinese Government, and Straight proceeded abroad on June 29, 1909, as representative of the group.

A letter of June 25, 1909, to Otto Kahn, who was then in Europe, reveals Schiff's frame of mind:

So far as this small Chinese transaction itself is concerned, I do not at all believe that one ought to be enthusiastic about it, because a 5 per cent. Chinese bond, issued in the neighborhood of par, has, I believe, very little attraction for American capitalists, and I am not at all certain that the bonds will go in this country. But sooner or later China and her finances must be thoroughly re-organized, and it is well to pave the way now for participation at that time.

The American bankers were willing to coöperate with the Europeans, and a letter to Cassel, of July 20, 1909, again indicates that the insistence of the American

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group on an equal share was due to the stand of the State Department:

We would all have gladly made the concession to the European groups which they demanded for the present small Chinese railroad transaction, namely, to take a somewhat smaller participation, but the Department of State would not permit it.

Upon his arrival in Peking, Straight was approached by the Chinese Government with a proposal to revive the old Harriman project of a Manchurian bank and a Manchurian-Mongolian connection with the Trans-Siberian Railroad. On October 2, 1909, he made preliminary negotiations to finance some seven hundred miles of road. Harriman had died a few weeks before, and so Straight cabled and wrote to Schiff and to the Morgans to enlist their support, outlining the Harriman scheme in detail. But he could not get the bankers to go with him in his enthusiasm, or find anyone able to continue Harriman's negotiations with the Russian Government.

Nevertheless, Taft and the Department of State were planning an even more extensive diplomatic venture: the neutralization of the whole Manchurian railway system. Straight had suggested the plan himself in November, 1908, when it was intimated to Schiff that Russia might be willing to sell the Chinese Eastern Railway. Croly quotes Straight's diary for January 10, 1910: .

I must say I consume a certain amount of satisfaction in this project, for it's mine, after all's said and done, and was started when I lunched with Mr. Schiff one day at the Lawyers' Club in New York.

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The American diplomatic policy aroused Russian opposition, and also that of Great Britain and Japan, and so the plan was dropped.

During the summer of 1909, Straight had made the acquaintance of Max Warburg, who thereafter took an active part in the negotiations. Schiff wrote to Warburg on January 19, 1910:

I am sorry that China is giving you so much difficulty. Goodness knows there is enough space and there are enough people in the Chinese Empire to require many different kinds of financing for years to come.

In February, 1910, when the question of neutralization of the Manchurian railways was much under discussion, Schiff wrote frankly to Takahashi, on February 24th:

Now let us come to the recent action of our Government in proposing the neutralization of the Manchurian railways, which proposition, as you say, has so deeply irritated the people of Japan. I have never had any opportunity to discuss with the Secretary of State, nor with any other member of the Government, anything regarding the proposition referred to, of which we knew nothing until it became public property. I can, however, very well understand what was in Secretary Knox's mind when he made the proposition, and what was in others' minds long before him. He, as others, fears that present conditions unmistakably bear in themselves the seed for future strife, which the wise statesman and lover of peace between the nations should seek even now to guard against, if that be practicable. You surely must know that leading men in your own country, the late Prince Ito, Marquis Inouye, and even your present Premier, Count Katsura, actually did enter, right after the war, into an agreement with Mr. Harriman for the taking over of the South Manchurian

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Railway by an American-Japanese syndicate, with a view to its operation as an internationalized line. This agreement was, justly or not, abrogated by Japan, solely because Count Komura, on his return from Portsmouth without a war indemnity, feared that the ire of the Japanese people, which had so strongly manifested itself, would be still further increased if control of the South Manchurian Railway were to any extent parted with. Notwithstanding this, the fact remains that your leading statesmen, inclusive of your present Premier, foreseeing even then the danger of the future, were quite desirous to do the very thing which our Government has recently brought forward in a tentative way. If you say that your people are deeply irritated because of this latter fact, I can understand it, because people are easily carried away in questions of national pride, even if it be not justified; the more is it the province of wise and great statesmen to properly direct public opinion, where there is good reason to assume that its effect may become hurtful.

Early in March he took part in a discussion at a luncheon of the Republican Club in New York, following a remark of Judge Mayer Sulzberger concerning the efforts being made to keep China, a nation comprising one fourth of the population of the earth, in subjection. He was especially disturbed because his remarks were taken to indicate the likelihood of a great war. The speech was commented upon in London, San Francisco, and in Tokio, naturally, at great length, and he took pains to explain himself to several friends, particularly to Takahashi:

March 8, 1910.

I thought I should report to you upon an occurrence a few days ago, of which the press has made a good deal. I happened to be invited last Saturday to a luncheon

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given by the Republican Club of this city, for the purpose of a discussion upon "Race Prejudice." One of the prominent speakers, in the course of his remarks, referred to the efforts of Japan and of Russia to "sit upon," as he termed it, the people of the Chinese Empire, and said that in the long run 400,000,000 people could not be subdued by a much smaller number.

Later I was called upon, entirely unexpectedly, to say something upon the questions which were discussed, and I then took the opportunity to warn against the danger which I believed to be contained in conditions as these were developing in the Far East. I said that very recently it had become quite evident that Japan and Russia had joined hands in Manchuria, and were acting in unison for the evident purpose of keeping the Chinese Empire in vassalage, England, whose interests should be identical in this situation with those of the United States, for purposes of its own, looking quietly on. I further said, that as a friend of Japan, who had rendered important service in financing her war loans, in order to enable her to defend herself and become victorious over Russia, "the enemy of mankind," I felt deeply mortified to find, after hardly half a decade, that Japan had made common cause with Russia in China, where a mighty struggle was likely to come, unless the American people acted wisely and in the proper spirit. I added that numbers would not count, but that the American people must stand solely for justice and right, closing my remarks in the words of the Hebrew Prophet, "not by might and not by power, but in My spirit, saith the Lord."

The papers have much distorted my remarks, and made me out to have said that I was prophesying war in the Far East, just the contrary having been intended. This I am sorry for, but nevertheless I believe that the remarks I have made—as to which, as is natural, much is now

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being said pro and con—will have their proper effect. I earnestly hope that as far as Japan is concerned, her Government and people will learn to understand that those who, to a great extent, from unselfish reasons have stood by Japan in her recent desperate struggle against Russia, will not now complacently stand by and see Japan make common cause with Russia, both for the purpose of keeping Manchuria in particular, and China in general, in a state of dependence and subjugation, and at the same time, and as a consequence, crowd out the United States and others from Far Eastern markets.

Let me again and again assure you that I continue to hold the people of Japan in warm attachment, and that I would do anything in my power to warn them against a course which, while for the time being it may bring them material advantages, in the long run cannot possibly, in my opinion, promote their happiness.

Always sincerely your friend,

JACOB H. SCHIFF.

Takahashi replied in friendly fashion, as is evidenced by Schiff's letter to him of May 24th:

After writing you about two weeks ago, while on a short outing with Mrs. Schiff, I received some few days ago your letter of April 18th. I am frank to say that its receipt greatly relieved my mind, for I felt badly that I had not heard from you for so long a time, and attributed it to a misunderstanding on your part of the attitude I had taken in regard to Chinese, or rather Manchurian matters. I have written you so fully and so repeatedly on this subject that I hope you will now thoroughly understand me, and feel assured that what I said was by no means because I felt drawn to Japan less than heretofore, but just because I felt that I should make every endeavor to help to clear away misunderstandings between

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your and my own country. And now let these matters rest where they are, with the hope that with the good will which I am sure exists on both sides, these matters will finally be worked out to mutual satisfaction.

That spring an agreement was reached in Paris regarding American participation in the Hukuang Railway Loan. When the bonds were finally issued the following year, Schiff wrote to Cassel from the Tyrol, on June 18, 1911:

New York cabled me that the American portion of the Chinese Loan has been oversubscribed five times and that Kuhn, Loeb & Co. have received the largest subscriptions.

During the summer of 1910, the conferences in Europe resulted in the formal constitution of the International Chinese Consortium, consisting of leading bankers of the United States, England, France, and Germany, each acting in close coöperation and in support of their respective foreign offices. Shortly afterward the Chinese began to negotiate a fiscal reform loan of \$50,000,000, providing also for Manchurian development, and on January 5, 1911, Schiff wrote to Takahashi, agreeing, so far as he was concerned, to the proposal that Japanese bankers should participate in the international group. In June, 1912, the plan was carried out, and Japanese and Russian representatives were admitted to the Consortium, making it a Six-Power Group, which thereupon reached an agreement, with the approval of the respective Governments, to offer a reorganization loan to the new Government in China. The loan was eventually to amount to £60,000,000, although the first series of bonds was

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not to exceed £20,000,000. The offer, however, was not at once acceptable to the Chinese Government.

Within a fortnight of his inauguration, Wilson openly repudiated Knox's "dollar diplomacy." After a conference between Secretary Bryan and representatives of J. P. Morgan & Co. and Kuhn, Loeb & Co., as managers of the American group, the American bankers were notified that the Government no longer desired their coöperation, and accordingly they withdrew from the International Consortium. On March 23, 1913, shortly after the Wilson Administration came into office, Schiff wrote to Cassel:

The China affair does not seem to be getting anywhere, so far as the American group is concerned, because the new Administration does not want the bankers' group to proceed. Personally, I am glad we were able to get out of it honorably.

He foresaw future troubles in China, even though, in May, 1913, he congratulated the persons concerned upon their success in bringing out the Chinese Loan in England and on the Continent. He wrote to Takahashi:

The Chinese Loan which has just been brought out in London and on the Continent, appears to have been a great success, and while I feel somewhat sorry that the American group found itself unable, under the policy which the new Administration had promulgated, to continue in the Six-Power Group, I am, on the whole, for many reasons, not displeased that we are out of it. It is very certain that China will need very large sums yet for its immediate and future necessities, the furnishing of which will prove a great drain upon international money

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markets, and since the United States would not have been in a position to keep pace with the furnishing of these supplies, it is better that we should not have made a start. Moreover, China appears to be only at the beginning of her internal troubles, and I fear those who have taken charge of her finances will not be able to sleep on a bed of roses. I can well understand that Japan needs to keep in intimate touch with everything that concerns China, and because of this will want to have part in the financing that needs to be done for the Chinese Republic, even if Japan herself cannot supply funds.

It is of interest to note that, at the request of the United States Government, an American group for Chinese financing was again formed in 1918, as is stated in a succeeding chapter.

CHAPTER VIII

THE financial histories of the period must be consulted for an adequate picture of the economic and monetary disturbances which characterized the last part of the nineteenth century. For various reasons these disturbances were especially severe in the United States. The physical extent of the country and the very nature of the Federal Government, as one of delegated powers, were dominant factors in opposition to a strongly centralized financial system. The idea of a central bank was fiercely resisted, as the great natural wealth of the country easily persuaded most people, and even many leaders, that it did not require the kind of fiscal control which existed in the older countries. There had been great destruction of property and a disruption of Government finances as a direct result of the Civil War; in addition, there were the complications caused by the attempt to place the large paper currency upon a specie basis at a difficult time, and the successive waves of speculation in American enterprises, supported to a considerable extent by foreigners. Yet the country was on the whole unwilling to recognize that its finances had any relation to old world standards, and even many of the banks proceeded in ignorance of world conditions. As a result of this situation, while the country was fundamentally prosperous, and steadily growing more so, its finances and its currency system were most of the time in a state which may be fairly described as chaotic.

In 1890 Congress passed legislation, known as the Sherman Silver Purchase Act, requiring the Govern-

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ment to purchase 4,500,000 ounces of silver each month, and to issue legal tender notes in payment. The further complications which this act imposed upon the financial situation produced great perplexity at home and abroad.

At the height of the unprecedented exports of gold in the early months of 1891, President Harrison made a statement to the effect that he considered the Government bound to uphold the parity between the different kinds of money, so that a dollar might always be worth a dollar. Schiff prepared the following draft for the report of the Chamber of Commerce Committee on Finance and Currency, and brought it to the attention of Ex-President Cleveland; John Sherman, then in the Senate; the Secretary of the Treasury at that time, Charles Foster; and many others:

Your committee is of the opinion that the Government appears fully to recognize that existing laws give it authority to replenish the gold reserve through a sale of bonds. . . . Your committee recommends that the Chamber give expression to its high appreciation of the frank expression, recently given by the President of the United States, of the duty of the Government to keep all moneys issued by it at par, but at the same time it respectfully points out the necessity for not only holding the present so-called redemption fund intact, but rather for increasing this fund from time to time as the volume of the currency is increased under existing laws.

Later that year, the Chamber of Commerce, without discussion, passed a resolution calling for the repeal of the Silver Purchase Act, as contrary to the public interest. While thoroughly opposed to the inflationist sentiment which had supported the Act, Schiff felt that

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a growing country was likely to suffer from rule-of-thumb deflation. In a published article¹ he pointed out that with the gradual retirement of the Government debt, and hence of the national bank note circulation which rested upon it, the United States would pass from one currency crisis to another: what was needed was an elastic currency, expanding and contracting with the requirements of industry and trade, but it was, unfortunately, more than doubtful whether the banks would be granted new privileges. For the time being, therefore, he considered repeal *in toto* of the Act of 1890 to be undesirable, though modification were imperative. To demand immediate repeal, without formulating other action to be taken first, would simply create sectional distrust, and be "like withdrawing from a patient the sustaining medicine, permitting him to sink near unto death before endeavoring to find a permanent cure."

At Foster's suggestion he had an interview with the Assistant Treasurer at New York, Ellis Henry Roberts, which he confirmed in a letter of June 27, 1892, to Foster:

While it does not look just at this moment as if much more gold were to be exported, still . . . we may be again called upon at any time to furnish considerable amounts, it being unlikely that this danger point will be passed until about the end of the month of August. I am afraid we shall remain in this precarious state so long as present monetary conditions in this country continue. After all, it can only be a question of time and circumstances before we shall be upon a silver basis. I know that all the

¹ "Should the Silver Law of 1890 Be Repealed?" In the *Forum* for December, 1891 (Vol. XII, pp. 472-476).

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power placed in your hands will be used to prevent this, but I am afraid that this power is more apparent than real. It consists mainly in the authority of the Secretary of the Treasury to sell bonds for the accumulation of gold, but I fail to see where the gold is to come from. If it is to come from domestic owners it will avail little, for these can at any time go to the Treasury and draw out gold against Treasury Notes, using the gold in payment of the bonds which the Treasury sells. If the intention is to sell bonds abroad and get the gold from there, it will be found that our Government bonds will bring so much higher a price at home that before many days after the bonds shall have been placed in Europe they will be brought back by domestic demand, and the gold which Europe has paid for the bonds will be re-shipped in payment of their purchase. . . .

There is one certain method which would cure the situation, though it is doubtful whether the necessary legislation can be had at this time; but it must be gotten if we want to avert the danger of seeing this country placed upon a silver basis. It would be a difficult, and for the present probably an impossible, proceeding to attempt a repeal of the Silver Legislation of 1890, but it should be amended, giving the Secretary of the Treasury the right to redeem Treasury Notes in silver bullion at market value. It is the only process through which the continuous use of silver in our currency can be safely maintained, and the sole manner through which we can force effective co-operation of Europe in an international convention. This, however, is for the present a hypothetical proposition, and therefore of no practical or immediate value. To bridge over the present situation the following can and should be done:

First: The banks should be dissuaded, either through the exercise of pressure by the Treasury Department or

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through legislation, if it must be, from hoarding gold. The banks have no gold obligations, and if, as is no doubt being done, they use their machinery for the purpose of accumulating gold and furnishing Treasury Notes instead of Gold Certificates when demanded for export purposes, it results practically in an attempt to "corner" the Treasury. All legitimate means should be used to accumulate the country's stock of gold in the Treasury for the protection of the national currency, and not in the banks, whose stockholders would be made the beneficiaries of any accumulations of gold, should the latter ever go to a premium.

Secondly: The Treasury should make the export of gold as difficult and not as easy as possible. To that effect the Assistant Treasurer at New York should not in advance lay down a rule what kind of gold coin he will furnish in the redemption of Gold Certificates. This uncertainty would make it impossible for European bankers to estimate in advance how the gold will figure out, and it would probably do away with the present practice of exporting gold for the smallest possible margin of profit.

Thirdly: Gold Certificates only should be redeemed at New York. Treasury Notes, in amounts say above \$10,000, should have to be sent to Washington for redemption. This too would, at least as long as the banks decline to furnish Gold Certificates in larger amounts, make it considerably more difficult to export, and would to a large extent protect the Treasury against the presentation for redemption of its legal-tender currency.

I agree with your opinion that a visit from you to New York for the special purpose of consulting with bank officers and bankers might prove hurtful, and I can assure you that nothing will give me more satisfaction and pleasure than at all times to hold myself at your disposal for such advice as I may be able to give. I have the convic-

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tion that the present administration can be thoroughly relied upon to give every protection to the standard which under existing laws it is possible to give it, and to use its influence for obtaining such legislation hereafter as shall become necessary to avert the dangers now threatening.

When a free coinage bill was passed by the Senate that year, he wrote to Senator Anthony Higgins, who had opposed it:

It is a common saying that drunkards have a special God, who always at the last moment protects them against harm; we must similarly hope that the good luck which has never forsaken our country, and which in almost every crisis has saved it, may yet come between the present unfortunate situation and a depreciated circulating medium, toward which, even without free coinage, we are steering with full sails.

He had expressed himself, in January, 1892, in favor of a new national bank currency—covered at least to the extent of thirty-three and one third per cent. by commercial paper, but the growing urgency of the financial situation prompted him, in May, 1893, to suggest a temporary policy to Charles S. Fairchild, who had been Secretary of the Treasury in Cleveland's first administration. Apparently these suggestions were conveyed to Cleveland, who requested Schiff to submit his views, which he did, in a memorandum:

May 19, 1893.

It is likely that for the coming three months the outflow of gold must continue. While it is impossible to foretell with any degree of accuracy the amount which will have to go, from present appearances we shall probably ship from twenty-five to thirty-five millions during this summer. It is some satisfaction to note that, notwithstanding

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ing the considerable advance in the money rate in London during the last three weeks, the demand for remittances is now not unusually large, and with the diminution in imports likely to be brought about by the general liquidation and contraction in mercantile credits upon which we have entered, as well as by the expectation of tariff changes, it is not at all unlikely that the balance of trade may soon become more favorable to our country, especially if crops shall turn out reasonably fair. In this aspect of affairs it appears to be more the duty of the Treasury to continue to furnish, without any hesitation, the gold which it will no doubt be called upon to supply for export purposes, even if the reserve should in consequence further be very materially reduced. Assurances should be given by the Administration, in terms not likely to be misunderstood, that this course is not only to be adhered to, but further that the reserve shall be replenished at the opportune moment. The policy of the Government should be thoroughly understood in every particular, for nothing is more dangerous at this time, both to credit in general and to the credit of the Government in particular, than uncertainty as to the course which will be pursued by the Administration.

Bonds should, for the moment, not be issued. They could not be placed in Europe without the danger of an immediate return (and this would, for obvious reasons, be the case at all times), while a sale of bonds at home would transfer a considerable part of the not too plentiful funds now available for commercial purposes from the banks to the Treasury, and would produce consequences of the most serious nature. Let it, however, be well understood, that it is the purpose of the Administration, as soon as Congress shall have made a more definite disposition of the currency question, to issue and dispose of a sufficient amount of bonds to replenish the stock of gold in the

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Treasury to an amount which may appear requisite. If the public can be impressed that such a course is to be pursued, confidence both at home and abroad will return, and can be maintained, even if it should become necessary to largely draw upon the gold reserve during the next few months.

Too great a delay in calling Congress together may become dangerous. It is true that the country is at present receiving an impressive object lesson through the effects of mistaken currency legislation, but there can be little doubt that silver advocates will be loud in their assertion that the present scarcity of money and the existing distrust would not prevail if free coinage of silver had been adopted. Whether the people of the West and South will listen to these heresies, which are certain to be advanced, must for the present remain an open question, with the weight of experience rather against the probability that the cause of sound money will gather strength in consequence of the present unsettled financial affairs.

The duty remains to again and again energetically renew the effort to repeal the Silver Legislation of 1890. If, as is not to be hoped, these efforts fail, some practicable compromise measure might, as a last resort, be considered, in order to save the country from getting upon a silver basis pure and simple, toward which we are now drifting slowly but surely. The proposition to repeal, as an equivalent for the cessation of the monthly issue of Treasury Notes, the tax on state bank circulation, should not be carried into effect. Better a government currency based even upon silver, than forty or more state bank issues of different character and credit; that would give us chaos instead of money.

Hereto is attached a memorandum of a proposition for a compromise measure, which, while by no means an ideal one, should be acceptable to every honest silver advocate,

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and which, through the automatically working provisions for a minimum reserve, should very promptly and properly regulate the volume of currency, and should stop the coinage of silver whenever the country shows itself unable to absorb additions to its stock of money. However, a repeal, pure and simple, of the present Silver Legislation would be far preferable, especially if legislation for sound national banking currency could be substituted—a hope, which, unfortunately, appears for the present beyond the possibility of realization.

Three causes appear more than anything else to add to the difficulty of maintaining the balance of trade permanently in our favor, and in consequence to intensify our currency troubles. Firstly, extravagance at home, continually stimulating large imports; secondly, the tendency of our people to flock to Europe, necessitating constant heavy remittances abroad to pay for the expenditures of American tourists; thirdly, our navigation laws, which have transferred the ocean carrying trade almost entirely to foreign bottoms, and thus necessitate the remittance abroad of an enormous sum, probably amounting to between two and three hundred millions annually in payment both of freight and passenger charges. The first two causes cannot be controlled through legislation, but it should be possible, in addition to what has already been attempted, to further effect a correction in the last and most important item, and to thus remove a standing menace to the retention of our stock of gold.

Suggestions for the Compromise Measure

Repeal law of 1890 as far as it directs purchase of silver. Change standard so as to make it conform as nearly as possible to existing conditions. Enact new laws, making it obligatory upon Secretary of Treasury to gradually withdraw Treasury Notes of 1890 by redeeming the same upon presentation in silver dollars to be coined for such pur-

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pose from silver bullion now in Treasury; directing further the coinage for the benefit of the United States Treasury of any surplus bullion beyond amount required for redemption of Treasury Notes. Pass free coinage act. Authorize the issue of coin notes in denominations of five dollars and upward, upon deposit with Treasurer of United States of coined silver. Make it a part of these laws that there shall be held in the Treasury of the United States a reserve in gold (after deducting the amount held against outstanding gold certificates) equal in amount to at least 15 per cent. of the amount of the outstanding circulating notes of the United States of every nature, inclusive of the Silver Certificates of 1878, and direct that the coinage of silver shall be suspended whenever the gold reserve becomes impaired by reason of the redemption in gold of any of the circulating notes of the United States, coinage of silver not to be resumed until the gold reserve shall have recovered its legal requirements. Authorize an issue of blank millions bonds to be sold for the purpose of establishing the minimum gold reserve and an adequate working surplus.

In the meantime the country was entering upon a great financial crisis. Schiff again addressed Cleveland and pointed out that whether the depression following the crisis would be serious would greatly depend on the promptitude with which confidence could be restored, and that this, by common consent, depended upon a repeal of the Sherman Law; that, according to the general belief,

the sentiment of the country at large has undergone so complete a change as to make the passage of the Repeal Bill a certainty, were Congress to meet in the immediate future. Whether this assumption is correct, you, Mr. President, are no doubt best able to judge.

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The President called a special session of Congress for August 7th. Schiff continued to write him frequently, and on August 29th, when the Repeal Bill had been passed by a large majority in the House of Representatives: "The country is to be congratulated that you, Mr. President, while others doubted and despaired, did not falter." He sent his personal congratulations to William L. Wilson, one of the Democratic leaders in the House. The Senate, however, deliberated, and it was not until October 30th that the repeal was passed, by a majority of eleven.

He discussed this subject repeatedly with Cassel in England and with Noetzlin in France, especially so far as it affected the price of silver, with which they were all concerned through their interests in Mexico. It should be noted in passing that Schiff's efforts were directly contrary to his own interests in Mexico, which of course profited by the Act of 1890, since the silver purchases furnished a considerable outlet for one of Mexico's important products. In particular, more than half of the revenues of the Mexican Central Railroad came, directly and indirectly, from the great mineral belt.

In connection with a new banking plan before Congress, presented by the Secretary of the Treasury, John G. Carlisle, it was proposed that the national banks should be deprived of their right to issue notes against the Government Bonds which they purchased and deposited with the Treasury. This proposal Schiff thought unwise at the time, and he presented his reasons to the President, December 17, 1894: for some time to come, the Government would probably continue under the necessity of issuing bonds to obtain sufficient gold for

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currency redemption purposes; if the banks were deprived of the right to issue notes, then the bonds which they held solely for the purpose of securing the note issues would be thrown upon the market, and the Government would find itself unable to borrow any appreciable amount of gold at home; as a consequence, moreover, there would be general distrust and a breakdown of security values.

The urgency of the Treasury's position in 1895, even after the \$65,000,000 loan of February (in which Schiff's firm participated), was greatly intensified by Cleveland's message to Congress on December 18th, regarding the boundary dispute between Venezuela and British Guiana, which held within itself what was then considered a threat of war between the United States and Great Britain. American securities were dumped on the already nervous New York market by European, and particularly British, holders. Schiff once more reminded the Government that gold received in payment for a new loan would serve no purpose if it came right out of the Treasury vaults, and telegraphed to Cleveland, December 22d, suggesting that the national banks be asked to purchase \$100,000,000 of 4 per cent. bonds against gold, "of which they hold a sufficiency, receiving no gold drawn from Treasury after offer made."

At the close of the second Cleveland Administration, when the Democratic Party nominated Bryan upon a platform of free coinage of silver, at the ratio of 16 to 1, there was doubt as to what the Republican Party would do. Schiff, however, urged his Party to join the issue definitely, in the hope that the question might be settled. The defeat of Bryan, while it did not stop the

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silver agitation, did dispose of the question for the time being.

In response to a request from William E. Dodge, Schiff gave a résumé of his views on a proper currency system for the United States, from which it is clear that after the emergency of 1893 he returned more fully to the plan for a sound national banking currency which he had favored. It was this plan of a currency based on commercial paper—essentially the basis of the Federal Reserve banking system—which he came to support more and more vigorously:

June 16, 1898.

DEAR MR. DODGE:

You wished to have from me an expression of views as to the greater desirability of a national bank note currency based upon "commercial assets" as against bank note issues based upon the security of Government Bonds, as is the case under the existing system.

The permission to national banks to issue circulating notes based upon the deposit of Government Bonds with the Treasurer of the United States originated in the early part of the War of the Rebellion. It must be very evident that the sole purpose of this expedient was to mobilize the Government credit, so as to place the largest possible financial resources the country could furnish at the disposal of the Government. This was both a practical and a wise measure, but it was not intended at the time, and could not have been intended, to serve the purposes of commerce and industry. In the course of years, the people have become so used to this form of bank-note currency that little thought has been given to the fact that, with all the security the existing system offers, it is of no advantage or use to any one except the Government and the banks,

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the former no longer needing it and the latter getting a profit out of it which has given rise to considerable, and possibly justified, dissatisfaction.

No one will now pretend that the Government would not be able to place any bonds it has to issue without the aid of the national banks, and there is, therefore, no reason why the latter should not now, as they ought to have been compelled to do long ago, return to the only legitimate business for which banks exist, that of mobilizing and giving proper facilities to commerce, trade, and industry. What purpose will it serve to the cotton planter in Alabama, to the wheat grower in Nebraska, to the miner in Montana, or to the manufacturer in New England, if the national banks in their respective neighborhoods send their funds to New York to buy Government Bonds and then issue their circulating notes against the same? What the cotton planter, wheat grower, miner, or manufacturer wants is to be able to go to the national bank in his neighborhood and pledge to it the cotton, wheat, ore, or the product of his industry which he may be in course of creating, and to get thereagainst the bank's own circulating notes, which he shall be able to use as money. And having in due course disposed of his product and received his pay therefor, he wants again to go to his bank and redeem his pledge (i.e., his note), and the bank, in return, with the money that it has received, will want to take up the circulating notes it has issued for the advances it has theretofore thus made. This is the a-b-c of a practical and elastic bank circulating medium.

It goes with hardly the necessity of any explanation that, to make a system under which bank-notes based upon commercial assets are employed generally acceptable, it must first of all be made perfectly secure, . . . which, as experiences in Canada and many other countries have taught, can readily be obtained. In this connection it

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might be borne in mind that the vast amount of deposits in the national and other banks of the country are represented by nothing else than bank obligations, based upon capital and commercial assets; that practically the entire mobilized wealth of the country is thus held, and that hardly the most infinitesimal percentage of these bank obligations becomes a loss to the holders thereof. . . .

In November, 1900, he urged upon President McKinley legislation to assure the permanency of the gold standard; the only way to do so, he thought, was to enact a law securing to the holder of any Government obligation the right to demand payment in gold.

A year after Roosevelt became President, Schiff addressed him at length upon the currency situation:

October 24, 1902.

DEAR MR. PRESIDENT:

When I had the pleasure of being with you last Tuesday evening, I felt like talking somewhat upon financial conditions, but as it was after office hours, I thought it would not be right to take up your time. Now that I have returned to New York, I think I shall be justified if I write you more fully the views which have impressed themselves upon me.

I am frank to say that I believe Mr. Shaw has made both an actual and a political mistake, in some of the measures he has recently taken to aid the financial situation, and that at some time unsatisfactory results will follow from what has been done. What I have particularly in mind is the construction which Secretary Shaw has placed upon the law authorizing the Secretary of the Treasury to deposit internal revenue receipts with the national banks, under which construction he has decided to accept other security than Government bonds for such

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deposits. It is true that the Secretary's action is in its application entirely conservative, and that no loss can possibly result to the Government because of the acceptance of state and municipal bonds for Government deposits. But since Secretary Shaw has taken it upon himself to construe the expression in the law "and otherwise" as a discretionary power to the Secretary of the Treasury to accept any security for Government deposits which he may deem wise and proper, he has taken the great responsibility of creating a precedent which some future Secretary, not as prudent as Mr. Shaw, so long as the law stands as it now is, may take advantage of, to accept as security for Government deposits farm mortgages, commercial paper, or perhaps warehouse receipts for merchandise, and the consequences of this will at all times be laid at the doors of the Republican Party, if not of your Administration. Indeed, I should be greatly surprised, if what has been done will not, before long, be very seriously attacked both in Congress and in political discussion.

The thing has, however, been done, and if a mistake has been made should be remedied as promptly as possible; indeed, I believe if action be taken promptly, it will be practicable to have Secretary Shaw's action taken advantage of to secure legislation which will result in doing away with one of the most serious shortcomings of our financial situation, as at present conditioned. I think it is generally conceded that what we suffer most from, is the inelasticity of our currency, conditions being such that our circulating medium is, to a great extent, a fixed quantity, and that in consequence we suffer, in times of commercial and industrial inactivity, all the ills of a redundant currency, while, so soon as commerce and industry require a large volume of circulating medium, as is the case at present, interest rates mount to a height which threatens to stop the wheels of commerce. The real cure for this would, in my

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opinion, be the permission to the national banks to issue notes upon commercial assets, under a well regulated system of safety, established by law, but opinions as to the advisability of such currency as yet differ widely, and it is not likely that in the near future legislation can be obtained under which such a circulating medium can be created.

It appears, however, to me that something very near the advantages and benefits which might be obtained through so-called "asset notes" might be obtained if the existing law, authorizing the Secretary of the Treasury to deposit Government money in national banks be amended in such manner that the Secretary of the Treasury be given distinct authority to accept as security for Government deposits, aside from United States Bonds, the bonds of any state in the Union or any municipality thereof, and that where accepted security for government deposits consists of state or municipal bonds, the depository bank shall pay interest at the rate of not less than 2 per cent. per annum, as may be determined by the Secretary of the Treasury.

The object of this suggestion is, in the first instance, to clothe with the authority of the law what has already been done, and to prevent the precedent which has been taken from being abused hereafter, in favor of any security which any Secretary of the Treasury may choose to accept. At the same time, while there are many reasons why the Government should and could not exact interest on deposits secured by United States bonds, there is every reason why it should not give its money to banks without reasonable interest, where other security than United States bonds is accepted, and as a consequence of the exaction of interest, depository banks will be certain to return Government deposits when they can no longer be used to advantage, and ask for such deposits whenever conditions require a larger volume of money than is in

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circulation outside of the Treasury. As there is no doubt a sufficient supply of state bonds and first-class municipal bonds at all times obtainable for the purpose of securing the suggested Government deposits, the money market will obtain an elasticity which it does not now possess, and both extreme ease and unreasonable stringency could, in the future, be avoided.

I am perfectly willing, if you so desire, that you submit this letter to Mr. Secretary Shaw. Indeed, I would have submitted these views directly to him had he been present in Washington when I was there a few days ago, and I trust both you and Mr. Shaw will understand the motives which have induced me to write without reserve upon a subject which I believe must be considered of momentous importance.

Believe me, dear Mr. President, with assurances of high respect,

Yours most faithfully,
JACOB H. SCHIFF.

At the beginning of January, 1906, he presented a resolution to the Chamber of Commerce, moving that its committee on Finance and Currency report upon Shaw's recent recommendations, that the national banks be permitted to issue additional Government-guaranteed currency, "equal in amount to 50 per cent. of the bond-secured currency maintained by them, but subject to a tax of 5 per cent. or 6 per cent. until redeemed." His own view of the problem is expressed in the address which he made before the Chamber when presenting the resolution:

We have witnessed during the past sixty days conditions in the New York money market which are nothing less than a disgrace to any civilized country. There must be a cause for such conditions. It cannot be the condition

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of the country itself, for wherever we look there is prosperity—prosperity as we never had it before. It is true that our prosperity may be a contributory condition. It cannot be that the speculation which prosperity always brings forward can be the sole reason for the conditions which we have witnessed and are still witnessing. Other countries have had wider speculation than the United States, . . . and still you have never seen the money market there for sixty days in such a condition that rates have varied all the way from 10 to 125 per cent. I say that is a disgrace to a civilized community. . . .

The cause is, if not entirely, in part at least, in our insufficient circulating medium, or rather in the insufficient elasticity of our circulating medium. Last year I went to the Secretary of the Treasury and said to him, "The national banks are gorged with deposits. Take out some of your deposits and prevent a continuance of this condition, or else money will seek other countries, and will go into enterprises and undertakings out of which it cannot be withdrawn when it is needed. Make yourself strong now; don't wait until the time comes when you must make yourself strong." The Secretary answered that he did not wish to withdraw any deposits, for he did not need any funds; and he said, while he did not fear the criticism of the press, he did not care to invite it. Then what happened was that he left, I believe, the larger part of his deposits in the banks until last autumn. Last autumn he needed money and the country needed money too, and at that time the deposits were very much reduced. He did not deposit recently when probably twenty-five or thirty or forty millions would have changed the entire state of affairs—for only the last twenty-five or thirty millions needed determine the high rate. The Secretary did not deposit now, not because he did not want to interfere, but, as I believe, he couldn't spare the money. . . .

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As much as I am opposed to helping by the Treasury, so long as we have a system under which the Sub-Treasury is the depositary of the public funds, so long the Sub-Treasury must play the rôle which the Bank of England plays in the money market of England. When money gets dangerously easy in England the Bank of England goes into the market and borrows from the market. When money gets very tight the market goes to the Bank of England to get its money from the Bank of England. Unfortunately our Treasury must play this rôle; it cannot help it.

I do not like to play the rôle of Cassandra, but mark what I say. If this condition of affairs is not changed, and changed soon, we will get a panic in this country compared with which those which have preceded it will look like child's play. There will be no disaster very soon upon us; don't misunderstand me; but this is the time to prepare for its prevention. . . . I believe if our banks were to be permitted to issue 50 per cent. of their present circulation without security, that it would go just where it ought not to go—it would go to help speculation and promotion.

But we ought to have some elasticity in our circulating medium. If we are to give the banks discretion to increase at extraordinary times the circulating medium, it ought to be made certain that it be only for the legitimate needs of commerce, industry, and trade; it can be done, perhaps, by some such plan—I don't believe an emergency expansion of 50 per cent. is needed, which would be two hundred and fifty millions—providing for any increase in circulation to be secured solely by legitimate commercial paper, based upon a deposit possibly with certain clearing houses in the country—for if circulation is secured by legitimate commercial paper it would certainly be as safe as it would be unsecured under the Secretary's recom-

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mendation. I do not at this late hour want to go any further into possible remedies and methods which might be applied. We have an excellent committee on Finance and Currency. We can leave it to them to report; but I repeat, the remedy must be found and must be found soon.

On February 1st, he addressed the Chamber of Commerce once more:

When at our last meeting I presented the resolution upon which the committee has just reported, and accompanied it by some extemporaneous remarks, I had no expectation that this would call forth, as has been the case, such considerable comment and discussion. Surely nothing was said which had not been said before and in better form, but thinking people throughout the country, it is apparent, have awakened to the necessity that something should be done to prevent a recurrence of conditions under which the country has heretofore been subjected to convulsions and disaster, convulsions always followed by years of depression and hard times. Even if it is not possible to prove the correctness of the assertion, nevertheless there is a unanimity of opinion upon the part of those who have given the subject thought and consideration, that, but for the unsatisfactory condition of our monetary system, we would be spared much of the periodical suffering to which the country has often had to submit, and that with our tremendous resources, with the genius and activity of our people, which practically make the entire world tributary to us, we would have long ago gained the international leadership, both commercially and financially, in which, notwithstanding the fact that for thirty years the balance of trade has been in our favor, we are still wanting.

Our merchants who buy goods in China, Japan, South America, and elsewhere must, to our mortification be it

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said, still settle their transactions in London, Paris, or Germany, just as the very money we loaned to Japan recently had to be remitted to London, even when needed to pay for goods purchased by the Japanese Government in the United States during the conduct of the late war. . . .

Not that we have too small a volume of currency, as the report of the committee very correctly points out. Just the reverse. If anything, we suffer from too great a superabundance of circulating mediums—a currency redundant, inelastic, and unresponsive to the legitimate requirements of commerce and trade. . . .

It behooves us to consider what can be done to protect ourselves, so far as is practicable, against the ills and shortcomings of a situation which for the present we appear powerless to remedy as radically as should be done. Because of this large volume of currency of various sorts with which we have to deal, and a great part of which in periods of inactivity becomes unremunerative, seeks then illegitimate channels for employment, and in consequence is to a great extent found unavailable when activity again returns, ways and means must be sought—clumsy as these under existing conditions may have to be—to assure an increase and decrease in the volume of money in accordance with legitimate demands, as these shall from time to time develop.

The recommendation made in the report of the committee, that, to assure more elasticity to the circulating medium, banks should be permitted to surrender their circulation at will, is not likely to greatly aid in a solution of the problem before us. Such surrender would not be determined by the condition of commerce and trade, nor even of the money market, but rather by the price of Government Bonds and the convenience and advantage of the banks, just as the increase in national bank circula-

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tion is to a great extent determined by similar considerations.

Extraordinary conditions will arise, as has often been and as again will be the case, when even our large volume of currency becomes temporarily insufficient and a situation is created which, when aggravated by distrust and loss of confidence, brings forth disaster, such as we are unfortunately acquainted with. . . . Even with our undesirable fiscal system, it should be possible to devise methods through the adoption of which extreme convulsions and suffering, such as we have periodically experienced, can be at least in part alleviated and against a recurrence of which we should seek to protect ourselves, instead of being satisfied, in these times of prosperity, with the thought of "after us, the deluge."

We cannot, I know, finally settle this all-important question in this Chamber—but we can and should lead the way, and I believe the country expects us to do so. . . .

He spoke again before the Chamber on November 1, 1906:

One grave objection has presented itself to me against the proposition of the committee. It cannot, I believe, be advisable to give to some six thousand banks separately the privilege to issue credit notes, as the committee recommends should be done. Even with all the safeguards proposed, some of the banks are certain to make illegitimate use of the proposed privileges, and if any bank, however unimportant, should get into difficulties . . . —the guaranty fund being for some time to come at least an uncertain quantity—the whole volume of outstanding credit notes would likely become discredited. . . .

A remedy against such an eventuality can, as I believe, best be assured if the banks, for the purpose of issuing circulating notes, would, under the sanction of the law,

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form a central association, which shall issue to the individual banks for their purposes the credit currency upon some such basis as proposed by the committee. It cannot be a difficult problem to work out a plan for the proper government of a central issue association, and it will readily be conceded that an association of the banks themselves will be in a far superior position to supervise effectively and to determine far better than any other agency whether an individual bank possesses the qualifications which the law shall prescribe for the issue of credit notes. It follows that under such a system the banks would have to assume joint liability for the circulating medium issued through their central association, and it will be only right and proper that this should be so. . . . The public should not be expected to freely accept a circulating medium for which the banks themselves are not prepared to accept full responsibility. It should, however, be left to the banks to evolve the system under which such a central issue association be established and governed, so that the joint liability they must assume be upon lines and within limits which they themselves have determined.

May I now, in addition to what I have just suggested, point out a way in which I believe the elasticity of the money supply in times of stress and extraordinary conditions could be increased without resort to an emergency currency? It is this: The law rigidly prescribes that banks in the so-called reserve cities must hold at all times a reserve of 25 per cent. against their liabilities; and 15 per cent. in country towns. This is sound and proper. A reserve, however, has not alone the purpose to remain in the vault, not to be touched under any circumstances. It exists to protect, in part at least, against extraordinary conditions and emergencies. Indeed, it happens not infrequently, notwithstanding the rigid prohibitions of the law, that reserves of national banks are temporarily im-

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paired. The combined reserves of the national banks, according to recent figures, amount to something like \$625,000,000 in specie and legal tender. Now, if it were made permissible, upon payment of a tax of say at least 6 per cent. per annum, for banks to infringe upon their reserve to an extent not exceeding one fifth thereof, we should, in times of financial stress—for at no other time would a bank be willing to obtain funds at a cost of 6 per cent. per annum—obtain new supplies of actual money, amounting, on the basis of present reserves, to \$125,000,000, a sum sufficient to tide over disturbances of very considerable magnitude and severity. Surely such an expedient would be at least as sound as the issuance of emergency currency or clearing-house certificates; it would bring relief more promptly than either, and readjust itself automatically and readily the moment the difficulty has passed.

Do not let us be in a hurry in this matter. We have waited since the Civil War to get a proper and legitimate circulating medium, and if we must wait through the next session of Congress it is no misfortune. This country is great enough and rich enough so that it can stand another three or four months of existing conditions. This is possibly one of the most momentous meetings the Chamber has ever held or ever will hold. Let us earnestly discuss every motion that is made. . . .

This Chamber should not put itself on record at this time whether we should or should not have a central bank. . . . If you go away from New York City and discuss this subject of a central bank, discuss it with the people of this country all the way across its three thousand miles, you will find grave distrust in the proposition. If you read the history of the Bank of the United States, the history of the Jacksonian period, you will readily under-

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stand why this distrust against a central bank exists, and why it has continued almost unabated to this day. The American people, at the time of Andrew Jackson, and more so to-day, do not want to centralize power. They do not want to increase the power of government. They know that every increase in the power of government, beyond the legitimate functions of government, means the suppression of private energy, and they also know that a central bank would, more or less, just as the Sub-Treasuries are to-day, be a government institution. They do not want to have this mass of deposits, these large deposits, which the government would have to keep in this bank, controlled by a few people. They are afraid of the political power it would give and of the consequences. That is the feeling of the people of this country.

And while theoretically I am in favor of the central bank, I am afraid if this Chamber commits itself to such a recommendation that it will only increase the distrust of the people in the West and in the South and in the Northwest against anything that originates in New York. Moreover, you will not get a central bank, because the national banks, which after all have great power, . . . will not want this profitable right of note issue taken away from them for the benefit of a single joint stock bank. You will find that every little national bank . . . throughout this country will try to make opinion and to influence public opinion against a central bank. . . . The proposition which I have made, that there be a central issue association through which the national banks shall make their issues . . . simply aims to remove from the proposition of the central bank the objections which will be urged against it; namely, that it will mass deposits; and in the second place that it will deprive the national banks of the right to issue currency.

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Shortly after the panic of 1907, he presented his views on the "Relation of a Central Bank to the Elasticity of the Currency" before the American Academy of Political and Social Science.¹

In 1908, Senator Aldrich was made chairman of the National Monetary Commission, created by Congress to study and report upon proper measures for the reform of the currency. Members of the Commission went to Europe in connection with the study, and, at the request of James Stillman, Schiff gave Aldrich letters to friends in Europe who could aid him in getting information. Later, when Aldrich decided to go to Japan to study the Japanese banking system, Schiff introduced him to Takahashi. Schiff crossed the ocean with Aldrich in 1909, and learned that he was going to various American cities to create public opinion in favor of currency reform. This, too, Schiff aided with introductions.

He had made William G. McAdoo's acquaintance in 1911, in connection with the readjustment of the Hudson & Manhattan Railroad Co., to which reference has already been made. McAdoo found the first great task confronting him in the Treasury Department the matter of currency reform. The Administration supported the measure known as the Owen-Glass Currency Bill. In essence, it carried out the labors of the Monetary Commission, which could not be embodied into law during the Taft Administration. Many members of the banking fraternity supported other proposals, particularly that for *one* central bank. Schiff, however, pub-

¹ The paper was published in the *Annals of the Academy*, Vol. 31 (January-June, 1908), pp. 372-376.

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licly took his stand with the Wilson Administration. McAdoo acknowledged his helpfulness in a letter of October 28, 1913:

Your interview on the proposed central bank is fine and I congratulate you on it. You are rendering a public service in helping the country to realize and understand that the efforts of the Administration to enact a financial reform bill are, in the opinion of eminent bankers like yourself, based upon sound fundamentals, even though we may not be in entire accord on some of the details. Your sound and helpful attitude cannot fail to produce a beneficial effect.

When the Federal Reserve Act was finally carried, Schiff telegraphed to President Wilson, December 23, 1913:

May I be permitted to tender my congratulations upon the enactment of the currency bill and to assure you that this signal achievement of your Administration made possible by your wise leadership is certain to receive throughout the country the recognition it deserves.

It was rumored at the time that he was to be appointed Governor of the Federal Reserve Board, and in response to an inquiry on this subject from General Wilson, he wrote on April 2, 1914:

The only offer of the position I have had has come through the newspapers, and I shall hope that there is nothing in it. . . . Meantime, I am frank to say that I am pleased with the messages of good will for me the report has generally evoked.

For many years his partner and brother-in-law Paul Warburg, regarded by both bankers and economists as a great student of financial problems, had been steadily working out plans and suggesting arguments looking to-

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ward a reform of the currency and of the banking system in the direction that it finally took. In that intangible way which the public sometimes has of recognizing quiet scholarly work, Warburg's name had become associated with the entire movement. Schiff wrote to Cassel, April 10, 1914:

Public opinion has very insistently designated Paul Warburg as one of the appointees, and I too have been mentioned several times as the probable Governor. The latter is quite unlikely, nor should I, at my advanced age, at all accept it, but it is quite likely that Paul, who was very active in the discussions of the banking question, will be appointed, and for patriotic reasons he will hardly be able to avoid accepting the appointment, though we should be ever so sorry to lose him from the firm and to see him leave here to go to Washington.

There began a long fight in the Senate against Warburg's confirmation, which, however, was overcome by the persistence of President Wilson, and Schiff was pleased that his younger partner came out with flying colors.

While reading the Life of Alexander Hamilton, and a novel by Gertrude Atherton, *The Conqueror*, in which Hamilton was the leading character, Schiff became interested in a letter which Macaulay had written during the middle of the nineteenth century, predicting that with the growth of population in the New World there would grow up sharp social stratification and social strife such as had often characterized democracies in ancient times. This letter apparently made a deep impression upon Schiff, who, however, expressed his

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belief that "this Republic will escape the danger which Macaulay foresaw from the rule of the masses." To Lillian Wald he wrote more fully, on June 12, 1907:

I think conditions now in this country are by no means such as he foresees, for his views were based on a supposition of want of work for the masses and low wages, but just the contrary is and has been the fact here for a considerable time. Nevertheless Macaulay's prophecy points a lesson which rich and poor alike should heed and profit by. I feel that in a country like ours, where all men are equal, and justifiedly so, in the exercise of power, great care need be taken that the demagogue does not make too great headway, and that the people do not permit themselves to be influenced and inflamed by low considerations, seeking to foolishly destroy rather than to help, while correcting abuses, to upbuild in a just and orderly manner.

When Roosevelt, in his message to Congress of December, 1906, proposed an income tax and an inheritance tax, Schiff wrote to William Loeb, Jr., the President's secretary:

New taxes, which are likely to add so largely to the revenues of the United States, as an income tax and an inheritance tax will do, should not be imposed until the tariff shall protect industries which need protection, and shall cease to be in favor, as it is now, of industries which either need no protection at all or which are protected to so great an extent that under this very tariff many of the large accumulations of wealth against which complaint is heard have been built up. With an income tax, an inheritance tax, and a tariff, such as is in existence, the revenues of the government would be swollen to an extent which, in many respects, would likely constitute a greater

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danger to the morals of the country and otherwise than even great fortunes in individual hands.

Three years later he expressed himself in favor of "a non-graduated income tax, if such can be constitutionally enacted."

To J. P. André Mottu, on February 4, 1910, Schiff wrote:

Whether, with the continuous harassing of all corporate interests by Federal and state administrations, the country and its trade will not suffer is a question which it is difficult to answer. We all hope that the Supreme Court in its forthcoming decisions of the Tobacco and Standard Oil cases will point out a way in which business can be done without at every step coming into conflict with the Sherman Law, and unless this be done, or the law be made more clear and explicit, it will in the future be most difficult to transact the business of the country. As to the stock market, I have no opinion to express, as I do not follow speculative matters.

The following year, he wrote to Takahashi:

Commercial and industrial activity is rather reserved, mainly for the reason that the decisions of the so-called Trust Cases before the United States Supreme Court are expected before long and when rendered may make it necessary that business methods be changed to a far-reaching extent. However, "the soup is never eaten as hot as it is cooked," and, when the decisions are once out, I believe the country will promptly adapt itself to whatever conditions they may create.

Feeling against the growing power of corporations brought about toward the end of the Taft Administration an inquiry by a Congressional committee into the

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"concentration of control of money and credit," known as the Money Trust Investigation. Schiff gave detailed testimony before the committee, though he seems to have resented the entire investigation.¹

The report of the committee stated that Kuhn, Loeb & Co., between the years 1907 and 1912, inclusive, had purchased alone security issues of corporations amounting to \$530,862,000, and in conjunction with other bankers issues amounting to \$740,777,708, and listed their affiliations at some length. Considerable space was devoted to classifying the transactions of all the large banking firms, and, for the period which it covers, the report incidentally gives a fair idea of the range of Kuhn, Loeb & Co.'s business transactions.

The methods employed in the investigation not only reacted rather favorably upon many of the bankers who were being investigated, but caused a great deal of distaste in Congress itself. This, together with the further facts that the Taft Administration was coming to an end, and that the Wilson Administration very soon found itself confronted with other and more pressing issues, made the investigation ineffective, except in as far as the committee's recommendations were embodied in the Clayton Act.

Like most of the business men of his generation, Schiff's attitude toward labor and labor organizations was two-sided. He resented what he called the tyranny of the labor trust. Yet he early recognized the right of association of workingmen, and took part in many

¹ His testimony appears in the published report of the Committee, Part 23 (62d Congress, 3d Session, H. R. No. 1593).

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arbitrations between labor Unions and employers, his attitude being influenced by his humanitarian instincts, which impelled him to give every man a fair show and a fair living. Then, too, his association with the Henry Street Settlement work and like efforts brought him into close and personal contact with workingmen. He always wanted strikes to be settled if possible, and was particularly concerned about the recurrent strikes in the anthracite coal regions.

He was frequently confronted with the question of relief for the families of the men on strike—a question which agitated many worthy people. If men strike and leave their families to starve, and charitable people support their families, are they not thereby engaged upon the side of these men? He answered this question variously, usually by making contributions, but arguing against the propriety of making them.

During one strike, conditions among the strikers' families were such that the Henry Street Settlement had to give urgent relief every day to many people. He authorized the Settlement to do so on his behalf, and to keep an account of the expenditures for each day. Every night he would send a check for the amount expended. At another time, when pickets were being arrested, he conveyed a piece of property to one of the members of the Settlement, to enable that person to give bail for the arrested strikers.

During a garment workers' strike, in 1897, he wrote, May 24th, to Lillian Wald:

Since I talked with you on the strike on Thursday last, I have given this important subject very earnest thought, and have also discussed the subject with others, some of these others being manufacturers. Among the latter I

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have found many expressions of sympathy with the tailors and expressions of hope that they may win; at the same time, however, conditions appear to be such that it appears it will be difficult to permanently better the condition of these workers, mainly because of the very overcrowded condition of the garment makers and because of the natural inclination of these people to work longer hours than is proper, thus not only damaging themselves but also crowding out others, who form part of the surplus workers.

Since it appears to be the earnest desire, not only of the workers and contractors, but also of the manufacturers, that conditions be improved, is it not possible that representatives of workers, contractors, and manufacturers meet to discuss ways and means in which a better condition of affairs could permanently be brought about? Certainly such a conference would be of no avail unless all three classes meet with real confidence in each other's desire to change the existing horrible condition of affairs. I am very anxious to give encouragement to the tailors, and if you will undertake to report to me individual cases of suffering in consequence of the strike, together with recommendations for relief, I shall be glad to act upon such recommendations.

This particular strike concerned him very much. Since he thought that possibly one of the difficulties was the living conditions of the employees, he coupled with his interest in ending the strike a proposal for improvement in tenement house conditions through the Baron de Hirsch Fund.

There had been, in 1913, a long struggle in a trade in which Jews were employed in especially large numbers—represented by the International Ladies' Garment Workers of the World. They complained that they were

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being interfered with by thugs, and their secretary approached Schiff, originally with a committee of fifty, which apparently he was not willing to meet. They thereupon asked him if he would meet a committee of three on December 29, 1913. To this he assented the next day, adding:

You may rest assured that anything I can do to aid you in any legitimate effort to attain justified purposes will be most readily undertaken by me.

The only condition he made was that Miss Wald should be present at this interview. Of the conference held on January 2, 1914, Miss Wald kept notes. It appeared that one of the laborers' difficulties was internal. There were two Unions in the cloakmakers' industry instead of one. In the first instance, Schiff tried to bring them together, pointing out that they would ultimately be defeated unless they joined hands. After hearing their grievances, Schiff advised them to present their statement to Hamilton Holt, who was a member of the Board of Arbitration in their trade, as representative of the public. On January 6, 1914, a second conference was held, at the Henry Street house, and the next day, after hearing the statement of grievances, he wrote to the representatives of the other Union. On January 11, he presided over another conference, in an endeavor first to harmonize the two Unions.

In July 1908, a time of severe unemployment, he impressed upon Mayor George B. McClellan of New York the obvious advisability of timely state and municipal public undertakings, in preference to charity:

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I wonder whether you have observed in passing any of our public places, such as Union Square, the Recreation Piers, and other spots where the unemployed gather, how large a number of men are among the multitude, with that sad, far-away, despairing look upon their faces, men whose whole appearance betokens even now that they are making an effort to keep up an appearance of self-respect and dignity. Every day authenticated reports come to me of families on the verge of collapse, because their bread-winners, willing to do any kind of work, cannot find employment and would rather starve than ask for charity support.

In such a condition of affairs it appears to me to be the urgent duty of all who can create work to promptly do so; in the first instance, the municipality, for which it will be cheaper and better to spend half a million or a million in wages than to have to increase its appropriations to the Police Department, to the penal institutions, to the hospitals and the almshouse. The parks, the streets, the speedways, and various other communal properties need work to be done upon them, which, if now taken in hand, would, especially if work in connection with the contracts already decided upon be accelerated, give employment to a very considerable number of unskilled workmen. Several hundred thousand dollars thus put into circulation during the next few months would mean so very much to the unemployed in this city, and would prevent a great amount of suffering and tend to maintain the self-respect of thousands of our people. I urge that with the Comptroller, whom I am likewise writing, you give early consideration to this situation, and, convinced that you will take action if this can practically be done, I am with great respect . . .

He was early interested in the question of child la-

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bor, and recognized the indispensability of legislative action. Writing on April 13, 1893, to Louis Drypolcher, chairman of the committee on Labor and Industries of the New York State Assembly, with regard to the Act to Regulate the Employment of Women and Children, he expressed the hope that the Act would be favorably reported by the committee,

for all our efforts in this city to better both the moral and actual status of our dependent population must come to naught, if such legislation, as represented by the Act referred to, cannot be had.

Eleven years later he wrote to Professor Felix Adler, January 22, 1904:

My heart, I need not tell you, is, like yours, in the cause of the children, both for sympathetic and practical reasons, for we cannot expect that the future American race be sturdy, if we permit the health and the morals of the child to be undermined. I have frequently discussed this cause with Miss Wald, during last winter, when she came to me to consult about the legislation which was introduced and finally passed at Albany, and I know she is not only very particularly interested in the child labor problem, but she and Mr. Devine had conferences with President Roosevelt last autumn, as to what could be done to nationalize the requisite remedial measures. Because of the great importance of this new undertaking, I shall be willing to join the National Child Labor Committee, upon the condition that Miss Wald likewise be placed on the Committee, so that I may have an opportunity to immediately keep in touch with the work, through Miss Wald, and to thus know that I am not taking responsibilities which I might otherwise not be able to live up to.

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Later that year he took up the matter of enforcing the law with Frank W. Higgins, Governor-elect of New York, mentioning concrete instances to support his argument for appointing a new Commissioner of Labor:

I am writing on behalf of the Child Labor Committee, in whose work I take very considerable interest. The present Commissioner of Labor, whose term expires on January 1st, next, has, as I am informed, not given entire satisfaction, especially in not properly enforcing the laws against child labor in factories. Perhaps it is sufficient to quote the result of the special inquiry conducted last summer by agents of the Child Labor Committee into the canning industry, one of the largest child employing industries in this state. In one of the factories visited, the report states a child of four was found at work, in another a child of five, and in still another a child of six, who worked until nine in the evening. In one factory alone, the man in charge of the shed estimated the children under fourteen to number 300, all working in flagrant violation of the law. In the last mentioned factory work continues, the report says, in the busy season until two and three o'clock in the morning. The commissioner's own report for 1902, the latest one published, states that the inspectors found in the year stated children employed illegally in 2607 factories, in 274 of which the children were either illiterate or under the legal age of fourteen; yet only five of the firms employing children illegally were prosecuted, and one of these escaped conviction. In Illinois, the head of the Factory Department, between the dates of July 1 and November 24, 1905, prosecuted some 487 employers.

No more need be said to show the desirability of appointing . . . some one . . . of proven capacity and energy, whose acceptance of the position will afford a

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guarantee that the laws against child labor in factories will be fearlessly administered.

When definite proposal was made to establish a Children's Bureau in the Department of the Interior at Washington, he hesitated, because he was not certain about the wisdom of the growing tendency to place "everything" at the doors of the Federal Government; yet he finally expressed approval in a letter which he wrote to Miss Wald in January, 1909, and vigorously supported the work of the new Bureau.

Housing relief had engaged attention in New York for many years. This and the attempt to move people out of the congested districts of the city were matters which he frequently considered, particularly with Miss Wald. But he realized that real relief for the dwellers in tenement houses could not be secured through philanthropy, and that legislative action was required. Thus as early as November 7, 1889, he wrote to Henry Rice, president of the United Hebrew Charities:

My idea is that we should endeavor at the next session of the Legislature to have a law passed which will require the city authorities to group together all tenement houses in a certain location into districts; each district to be under the supervision of one or more inspectors, who shall not only look to the sanitary arrangements, but who shall also see to it that no more than a certain number of persons be permitted to live in any single tenement house, the law to prescribe how many square feet shall be required for each person. I think some such law, if energetically enforced, would partly break up the present tenement house system, or would so improve it that it would

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become harmless. Strong opposition would no doubt be manifested against the passage of such legislation by the owners of tenement property, but I nevertheless believe that if properly worked, such legislation can be secured. At all events, it is worth while to make an effort in the direction indicated, and I would suggest that you take up the matter in your official capacity.

When the Board of Aldermen of New York City was considering a new building code, he wrote to the chairman of the committee on Buildings, on June 11, 1912:

I am informed by competent authority of the serious defects in the proposed code, especially as relating to tenement-house construction. It seems incredible, in the present state of public education on the evils of dark rooms, that the new code, containing the provisions which have been pointed out to me, should be considered by any public body. No building code should be adopted which does not contain proper provision for the light and ventilation of all future buildings, and I earnestly hope that nothing will be done by the Board of Aldermen which will inflict upon us a building code that must bring back the evils from which our tenement house population has so seriously suffered in former years, and which would form a menace not only to the health of the population referred to, but to that of the entire city. I should think we are already suffering sufficiently, to speak of one plague only, from tuberculosis in this city, to permit anything to be done which is certain to increase the dangers in this respect by which we are already surrounded.

CHAPTER IX

THE entire American continent has at all times been peopled from other lands. There seems to be no evidence of man's being indigenous in America, and it is accepted by all but a very few anthropologists that the earliest inhabitants—not only the roving tribes of North America, but the higher civilizations of Mexico and Yucatan—were of an Asiatic stock, and made their way to this continent while there was still a land connection between it and Asia. Later, in historical times, it is known that this continent, and particularly the United States, was peopled by immigrants from various lands. English, Dutch, Swedish, French, and in later colonial (but still pre-Revolutionary) times Germans came in considerable numbers to the New World. The Spaniards had come at an earlier period to Central and South America, and had even settled in Florida.

This all seemed to be natural enough in a new country; but from time to time there arose in the United States the feeling that the English settlers formed the basis of the country. The colonies gradually became possessions of England, and later, in spite of the Declaration of Independence and the successful Revolutionary War, retained many of the laws and customs of Great Britain. Occasionally there was a feeling of uneasiness at the arrival of the newer settlers, not particularly on ethnic or economic grounds, but in the first instance on religious grounds.

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On the other hand, there were large numbers of immigrants from time to time who—by reason of their own liberal point of view and the fact that they came from monarchical countries, where restrictions and class differences were much greater than they are at the present time—developed a patriotism and affection, indeed a religious reverence, for the land of freedom, which equalled if it did not surpass the patriotism of those who had been long settled in America and who took their allegiance as a matter of course. Such a feeling actuated Schiff. He loved America; he was devoted to every inch of her soil. He had a reverence for the heroes of American history, whether political or intellectual, and joined at various times in memorial projects like those of the Hudson-Fulton celebration in 1909, the Washington Manor House Fund, the Alexander Hamilton Association, and the erection of a statue of General Sherman. Upon the completion of the Jewish Theological Seminary building, which he had made possible, he had a bronze tablet cast, inscribed not with some Jewish classic, as might have been expected, but with Lincoln's Gettysburg Address, so that it could be placed prominently in the main auditorium.

As long as great civic questions were debatable, he debated them; but when once the country had decided on a course of action, it was difficult for him to admit expression of a difference of opinion, even from those who were nearest and dearest to him. For example, at the time of the war with Spain, the righteousness of which some doubted, he was most emphatic in his point of view that the policy of the Government must be supported at all hazards, and frequently enunciated the doctrine: "Our country, right or wrong."

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This attitude some of his old friends in foreign countries still recall vividly. One in particular, an associate of many years, frequently urged him, in his early days, to pay more attention in his banking business to foreign loans—on the ground that these were the most profitable—and it is not unlikely that he would have amassed a fortune much more quickly had he adopted this policy. But he felt that it was his particular task to help the growth of America, and that America needed the great transportation lines from coast to coast for her development.

He vigorously opposed the doctrine that each group of immigrants ought to form a separate political unit in America. So far as citizens of German origin were concerned, his view is expressed in a letter to Gustav H. Schwab, December 13, 1900:

I have, as I believe you are aware, on principle never been greatly in favor of German-American separatistic efforts, though at times it became imperative for citizens of German extraction to organize. It may be that this is again the case at this juncture, but your own experience has, I believe, taught you, as mine has, that what is generally designated as the "German vote" is likely to be influenced by other considerations than will determine the action of the gentlemen to whom you have addressed a letter similar to the one you were good enough to send me.

Virtually from the time he came of age, he was attached to the Republican Party, both in his state and in the nation, although he deviated from this allegiance in supporting Woodrow Wilson for the Presidency, and at

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all times he reserved the right to cast an independent vote in municipal elections.

There is nothing like a detailed record of his political sympathies in the earlier part of his life. In 1892 he was opposed to the high tariff; but that question was over-balanced in his mind by that of honest money. On September 29, 1892, he wrote to Walter H. Page, then editor of the *Forum*, a lengthy communication setting forth his reason for supporting Benjamin Harrison and Whitelaw Reid, the nominees of his Party. He aided Cornelius Bliss in the conduct of the campaign, and was willing to speak at meetings, although he wrote to Reid that he was not a fluent speaker and feared that the cause would not be served by his oratory. Nevertheless, when the Republican ticket was defeated, he addressed to the President-elect a manly telegram of congratulation:

November 9, 1892.

HONORABLE GROVER CLEVELAND,
NEW YORK CITY.

While I voted against your party it is now my earnest prayer that you may be vouchsafed health and the strength to give effect to the political ethics which you personify and which have been the determining factor in turning victory to your party. In this spirit I congratulate you.

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Within a week of the election he wrote a letter appraising the causes of the defeat and indicating the lessons which he thought his Party should draw therefrom:

November 15, 1892.

HONORABLE JOHN SHERMAN,
MANSFIELD, OHIO.

MY DEAR SIR:

The serious defeat the Republican Party has suffered

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at the recent elections imposes the duty upon every lover of his country, whether or not he has supported the Republican Party in the late campaign, to carefully study the situation, as it presents itself in the light of the late elections.

That the tariff has been the principal issue upon which the battle has been fought and lost by the Republican Party needs no further argument. . . . The chairman of the National Republican Committee had been advised at the start that in this state at least the currency and financial question ought to be made paramount, but this advice was totally disregarded, and only a feeble discussion, entirely secondary to the tariff issue, was permitted upon this all-important problem. As a consequence, those who had given their support to the Republican Party because of their belief in its greater trustworthiness on financial questions soon became lukewarm in their actual and moral support, and continued the same only in a passive manner. Had the Republican Party boldly forced the currency and silver question as one of the main issues, and placed itself before the country as the champion of an honest standard, defeat might have, if not entirely avoided, been less crushing, and the Party would have been certain to emerge from its defeat with greater credit and vitality than now remain.

As it is, it is well that the country has spoken in a voice of such unmistakable meaning. A narrow margin in favor of either party would have been nothing short of a calamity. . . . In this light the patriot, even in Republican ranks, should prefer the decisive Democratic victory to a narrow escape from defeat by his own Party. The responsibility of the Democratic Party and its leaders has now become so great and so weighty that the fear need no longer exist that Democratic ascendancy may become a threat to the prosperity of the country. Possibly and

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probably, impending economic changes may, for a time, create some depression, but this will rapidly pass away, especially if the Democratic leaders understand that it is incumbent upon their party to develop the programme of its coming legislation with as little delay as practicable.

This fact the recent elections have established beyond dispute: that the Democratic Party of old has ceased to exist. New elements in mighty numbers have entered it and are certain to control its councils, totally different from the Bourbon elements which for many years have been its controlling spirits. It is a subject for congratulation that the contest has been settled neither through the votes of the state of New York nor by the solid South, but rather by the majorities obtained in Illinois, Wisconsin, and Indiana.

As to the Republican Party, its mission is by no means ended; if it correctly learns to understand the lesson of its defeat it will emerge rejuvenated from the disaster which has overtaken it, and again become an important factor in shaping the destinies of the nation. It should assume an attitude of constant watchfulness, aiding in and promoting the solution of the great problems with which we shall have immediately to deal, and placing itself in opposition to every dangerous measure which a possible over-confidence upon the part of the Party in control may and no doubt will bring forward.

The most important problem, and one whose solution can hardly wait any longer, remains the silver question, and the various other questions dependent thereon. The American people, who have just rejected with so mighty a voice the McKinley tariff, will never again accept a depreciated currency, and the party which, while in control of the government, should be wanting in the firmness to prevent a depreciation in the standard, will receive severer punishment at the hands of the people than those who,

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mistaking their mission, endeavored to foist an unjust and obnoxious tariff upon the nation. Here the Republican minority can do invaluable service, and to it will belong the merit of it presses forward and hastens this momentous and difficult question to an immediate practical solution.

I thus address you, not alone because you are a deservedly honored chieftain of the Republican Party, but more so because good citizens of whatever party will rejoice if you continue to aid with your wide experience and large influence in the curing of the serious and dangerous monetary situation in which the country has been placed by the legislation of recent years. The real gainers in last week's contest will be they who read aright its true meaning and the lessons it should teach, rather than those whom the recent election places into immediate power and who have now to assume the responsibility of government.

Believe me, dear Sir,

Yours most faithfully,

JACOB H. SCHIFF.

At the end of the Cleveland Administration, when it appeared that the Democratic Party would split upon the money issue, Schiff used such endeavors as were in his power to aid in the maintenance of the gold standard. When the Democrats came out for silver, he regarded it as a plain issue between honesty and dishonesty, and welcomed the circumstance that the difference between the Republican and the Democratic Parties was so clear-cut. He was a member of the Auxiliary Committee of the Republican National Committee during that campaign, and never doubted the result. On August 27, 1896, he wrote to E. S. Clouston, of the Bank of Montreal:

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My own views remain unchanged. I cannot believe that our people will vote away their prosperity; and as the real position of affairs and the motives behind the free-coinage people become clearer from day to day, I look by November for so sweeping a victory of sound money, that the silver heresy shall be stamped out for this generation at least.

He was in communication with the leaders of the campaign through the early autumn. When Bryan was defeated, he spoke of the decision as a great accomplishment of the American people, and felt that the best elements of both parties had contributed to securing the "glorious victory."

The destruction of the battleship *Maine* in the harbor of Havana on February 15, 1898, made war with Spain inevitable, and, on April 11th, McKinley sent a message to Congress on the subject. To Adolph S. Ochs, of the *New York Times*, Schiff wrote the next day:

Standing by the President has now become a patriotic duty, and in my opinion therein alone lies safety to the country and its best interest.

The most disastrous effect of this war upon the men in the service was not in casualties of battle, but in the unsatisfactory sanitary arrangements in the camps, and the improper supply of food, so that the number of men invalided was very large. There was no provision for disabled soldiers such as now exists. To aid in alleviating this condition, Schiff made the following offer to Surgeon General George M. Sternberg:

The Department of Parks of the city of New York has, under date of July 30th, addressed you and offered to the

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Government the use of the West End Hotel, at Fort Washington, N. Y., for the purpose of a convalescent home for United States soldiers disabled in the present war. I am now informed that, under date of August 4th, you have accepted the offer of the Park Department.

The West End Hotel is not furnished, and suitable furniture will have to be placed in it to adapt it to its new purpose, for the comfort of from one hundred to one hundred and fifty convalescents, which furnishing can, as I understand, not be done, under the law, by the city's Park Department. I have authorized the Park Department to state in its communication to you that the furnishing would, if desired, be done by and at the expense of a citizen of this city. In pursuance of this statement made to you by the Park Department, I hereby now respectfully offer to completely furnish the West End Hotel for the purpose for which it has been accepted by the Government.

He was not in favor of the acquisition of territory which resulted from the war, under the terms of peace negotiated with Spain. But after the treaty was ratified he set forth his views in a letter to Carl Schurz, January 30, 1899:

I have the belief that you are under the impression that I am an out-and-out expansionist, and, if so, I should say to you that you are mistaken in this. Indeed, I feel that, while our views on the subject of expansion may differ to some extent, in the main they are not so very far apart. My position is briefly this: The fortunes of war have, without an original purpose on our part made us masters of the situation—perhaps at the moment qualifiedly—in the Philippines. We have thus been placed before the choice of either re-surrendering the Philippines to Spain or to the Filipinos. . . . If we had done either, conditions

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would have been produced which would, in my opinion, have become horrible and for which the civilized world, justifiedly, would have made us responsible.

Under these circumstances, what else is there left to do than to take hold with a firm hand, to create, as far as practicable, an orderly government "of the people, by the people, and for the people" of the Philippines, and, when this shall have been accomplished—which I grant you may take a number of years—consider our duty as performed, and, with such trade advantages as we may justly claim, leave the islands and their people to their own destinies? This may appear a utopian programme at present, but I believe, if the American people be given time, this programme can and will be worked out, and while it is perfectly proper to continually hold it up before the American people that they have not the right permanently to retain possession and occupy the Philippines, I believe the situation should be taken and treated as it actually is, and not as we might wish it to have become.

He supported the McKinley and Roosevelt ticket in 1900, and felt that the conservative element in the Democratic Party would again work for the defeat of Bryan. To Abram S. Hewitt he wrote after the election:

Let me, before replying to your communication of yesterday, congratulate you sincerely upon the great victory achieved, to which your example and influence have contributed no little part. This is not a Republican victory, but a victory of the American people and a glorious testimony to their common sense. Hereafter we shall be able to feel, what has not been possible for the past thirty-five years, that business men and others will not have to look to any fire in their rear, and can go on with their affairs determined by business considerations alone.

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The opposition of some of his friends to the Republican ticket affected him so deeply that on January 22, 1901, he wrote to Gustav Schwab:

With every regard I have for Mr. Schurz personally, I feel that I can coöperate with no one in the coming municipal campaign who, in the recent Presidential campaign, was willing to risk the welfare of the nation by actively working for the defeat of the Republican Party and who has been willing, as far as our own city is concerned, to do what would have resulted in the lasting supremacy of the Tammany organization.

In 1904 he accepted appointment on the Advisory Committee of the Republican County Committee, largely, if not entirely, because of his interest in the success of Roosevelt in the national campaign. He wrote to the President direct, and pointed out that, as New York would be the great battleground, it was necessary that the candidate for the governorship of the state should be a strong man. He aided to the fullest extent in the election of Roosevelt, and after the successful issue received an acknowledgment from the President.

In 1908 he supported Taft in his candidacy for President, explaining his position in a letter of July 6th to President Eliot:

You are right: I am rejoicing in the nomination of Mr. Taft for the Presidency, for I feel that seldom has a nominee for this high office had such a perfect training for its duties, and I cannot for a moment believe that between Mr. Taft and Mr. Bryan there can be any doubt whatsoever as to how the majority of the American people will decide. I also entirely agree with you as to the observation you make in the risk the Republican Party has taken in its nomination for the Vice Presidency. No

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one should be nominated for second place who would not also be an acceptable nominee for first place, and it requires a great trust in Providence to make one feel satisfied with the present Vice Presidential nominee. About a month ago, at the President's request, who wished to confer with me on certain subjects, I went to Washington. On my way there I read in the afternoon papers of a mishap the President just had had by having been thrown into a creek while riding a fresh horse which in throwing him fell upon him. When I met the President, I congratulated him upon his escape, and said to him I also congratulated the American people, to which, laughingly, he made retort as quick as lightning, "that depends, Mr. Schiff, on what the American people think of the qualifications of Mr. Fairbanks."

When the Democrats were successful in the Congressional elections of 1910 he wrote to Takahashi:

While I myself belong to the defeated party, I feel not at all unhappy about the result, for I believe that more conservative methods will now come to prevail, in place of the radical policies into which the Republican Party was more and more driven by its western wing. This election proves again that the American people can be trusted in the long run to correct anything that is unsafe in the methods of their Government.

In 1912 he supported the Democratic ticket, which naturally disturbed some of his old friends in the Republican Party. To one of these, Louis Marshall, he wrote on August 11, 1912:

It is true, I have been affiliated with the Republican Party for four decades, not having left it even when so many turned to Cleveland, nor do I mean to actually go out of it now, though I propose to support Wilson, not because he is a Democrat, but because I believe that the

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country needs a different kind of an administration than it has had the past four years. . . . I am not a free-trader, but we cannot go on with this ultra-protection to favored interests, without in the end breaking down our social conditions, for it is a tariff such as we have which is at the bottom of our social ills. We have been for some time in the midst of a latent social crisis and we do not want this to end in a social revolution.

He went on to analyze the forthcoming election, and ended by saying: "It will be either Wilson or Roosevelt," which was certainly a correct forecast as to the division of the electoral vote.

To George W. Perkins, who was managing the Roosevelt campaign, and who wrote to him saying that he was very much puzzled when he heard that Schiff was out for the Democratic candidates, he replied, September 2d:

I have long had great admiration for Colonel Roosevelt, because of his courage, love of fair play, and other attractive characteristics. . . . Indeed, I would have readily followed Colonel Roosevelt politically, had he not, in his Columbus, O., speech, come out flat-footed for measures and policies, which, if adopted, must in time—it is my earnest belief—destroy representative government and tear down the very safeguards the Constitution has so wisely provided. Nor can I, as I feel now, ever again support the candidates of any party that commits itself, as your candidate does, notwithstanding his emphatic promise to seek to eradicate special privilege, to the maintenance of a high protective tariff.

He voiced the general sentiment when he wrote to President Taft, on January 6, 1913:

You are a victor even in defeat, and I am sure you have

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the admiration of the American people because of the dignified, manly, and genial way in which you look the existing situation in the face.

As he was leaving for Europe before Wilson assumed the Presidency, he wrote a letter in which he laid especial stress upon the reform of the currency:

February 6, 1913.

DEAR MR. PRESIDENT-ELECT:

I am going abroad in about ten days, to be away for three months, and as, in consequence, I shall not be here at the time of your inauguration, may I not express at this time my earnest good wishes for your success in the exalted and responsible position you are soon to assume, as the head of the American people. I am very certain that few can have a deeper feeling of responsibility than I for the success of your Administration, or more ardently hope that the high expectations which the American people as a whole hold, as concerns the effect of your Administration upon the future of this country, may become realized.

As far as regards the revision of the tariff, by general consent the most important issue before the country, I entertain little doubt that the revision, as outlined in the Democratic platform, will, before long, be satisfactorily accomplished. This, however, is, as I am sure you know—perhaps better than I—not all that need be done to make the country economically sound and give the people relief from the unjust conditions which now interfere with their happiness and general prosperity, for no people can be happy unless they are prosperous.

To assure this, the reform of the currency requires, in my opinion, as prompt attention as the revision of the tariff, if indeed not even more so. Unless a reform of the currency and banking methods be looked after and ac-

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completed within a reasonable time, we shall not unlikely, before many years have passed, find ourselves again in the financial chaos from which, at times, the country has heretofore suffered so greatly, through financial depression and panics—suffering and misery which could have been so easily prevented, if we only had had the good sense to properly reconstruct our system of reserves, circulation, and of credit. There should be no difficulty in forestalling disaster if we only take time by the forelock and give, without delay, attention to this important subject. I would not feel justified to bring before you, in this communication, what form this much needed reform should take; I can leave this to better advisers, who would, no doubt, readily answer any summons from you, but I thought I might, without impropriety, before going away for several months, endeavor to impress you with the great importance of giving the promptest attention to this very weighty subject, though I am led to believe that this is probably already uppermost in your mind.

If, upon my return, there is any service I can render to help in the promotion of the success of your Administration, I hope you will feel that you may, at all times, command me, and again expressing my best and warmest wishes for your every success, I am, with assurances of high esteem,

Yours most faithfully,

JACOB H. SCHIFF.

He had a strong sympathy for the colored people, and spoke in defence of their rights on various occasions. Miss Wald recalls that he frequently came to meetings of negroes at the Henry Street Settlement, and made a stirring address at one meeting held in honor of the birthday of Dr. W. E. B. Du Bois. In the early part of

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Wilson's Administration, he wrote to the President protesting against the segregation of colored employees in the government departments at Washington:

May I ask to be permitted to add my voice to that already raised in defense of the inalienable rights of the colored people, who are human beings as we are, endowed by our common Father with the same characteristics, with the same feelings of pride, and whom we have no right to humiliate because of the fact, for which they are not responsible, that they have a different color than our own. Unlike others of the many elements that compose our population, the forbears of the colored people in the United States did not come into this country of their own free will, but were brought here by brute force and under conditions which greatly enhance the obligation we of the twentieth century have, to see that the descendants of the free men and women who were brought here from their distant homes to be sold into slavery have vouchsafed unto them the human rights without the enjoyment of which no one who is imbued with the dignity of life can feel happy. It is entirely proper that the officers of the National Association for the Advancement of Colored People are asking their fellow citizens to address you, Mr. President, as head of this entire nation, of which the colored people form an integral part, in support of the protest the association has sent to you, and, because of this, I have not a moment's hesitation in respectfully asking you that proper consideration and heed be given to the protest which has been made, and, from what I believe to know of your high-minded sense of justice, I have little doubt that this will be done by you.

Irrespective of whether they lived in the North or in the South, and irrespective of their views on other subjects, a number of high-minded men realized that the

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negroes should have special opportunities for education, so that to some extent at least the fearful handicap under which they had lived might be removed. While Schiff was not a leader in this movement, it had his deep sympathy and his financial support.

In 1909, he had evidently been thinking about the subject and had come to the conclusion indicated in the accompanying letter to Oswald G. Villard, December 9, 1909:

I have for some time been giving careful consideration to the needs of education in the South for colored people, and, after comparing notes with men who thoroughly understand the subject, I have reached the conclusion that I should limit myself to the support of normal education rather than contribute to schools which have for their purpose the elementary education of colored children, which latter ought to be provided for in the localities where such schools are situated. While I willingly contribute to any deserving purpose which commends itself to me, I have made it a rule, where my personal information gives out, to carefully investigate through others in whom I have confidence before I commit myself, and I shall therefore need to somewhat investigate locally the purposes of the Manassas School before I can determine whether or not I should contribute.

This I will do as promptly as possible, and may I ask you to say to Mr. Hill, if he will have a little patience, and if his school is such as from what you have been good enough to write to me it appears to be, he will in due time hear from me, likely to his satisfaction, provided his expectations are moderate.

In November, 1910, he wrote to Dr. Booker T. Washington:

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It is much of a satisfaction to be assured by you that the white people of the South are beginning to better understand and take more seriously their duty to help the colored people within their midst, and it is also a satisfaction to be able to say to you that no one has done more and is doing more than you to bring nearer the time when it shall be more generally acknowledged that we are all "sons of one Father," no matter what color we may have, or what creed we may profess.

Schiff had become sufficiently acquainted with Booker Washington by 1909 to make him, as it were, his almoner for Tuskegee and other institutions in the South. The next year he sent Washington for reinspection a list of nineteen institutions to which the latter had distributed small sums out of Schiff's benefaction. This practice he apparently repeated annually—the total amount of the gift having been quadrupled by 1915.

He wrote to William H. Holtzclaw, principal of the Utica Normal & Industrial Institute, shortly after Washington's death in 1915:

Since your letter has been written, our good and worthy friend, Dr. Booker T. Washington, has passed away, which has been a great shock to me, and I feel that America has lost one of its great men, whose life has been full of usefulness—not only to his own race, but also to the white people of the United States.

A telegram sent as late as May 21, 1920, to Moorfield Storey, president of the National Association for the Advancement of Colored People, shows that to the end of his life he felt that justice must be done to the negro:

I am fully in accord with you that race problems can be settled only by complete justice to the negro, and so long

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as this be not granted to the utmost and this grave question which becomes more important from year to year as an economic problem as part of our labor situation is not completely settled to the satisfaction of both the white and the colored people, it will come back to plague us and make us feel ashamed of ourselves.

On May 22, 1908, he expressed his great interest in the conference on the conservation of natural resources, writing to Hill and commending him for an address which he said constituted "a most timely warning in the present period of foolish haste to get everything for this generation and let posterity take care of itself."

In 1910 he discussed with John H. Finley conservation conditions in Alaska, which he had visited a short time before:

Concerning conservation, upon which you write in your yesterday's kind note, I am afraid 99 out of 100 people, if not more, do not know what they are talking about when they are discussing conditions in Alaska. Indeed, these conditions cannot be understood except through local observation. . . . Alaska is as little fit for statehood as Liberia or the Samoan Islands would be. It is perfectly true that whatever resources Alaska possesses should be impartially and methodically developed, but in my opinion it will take considerable inducements to bring people and capital to Alaska, and if we go on in the way demagogical clamor desires, we shall simply kill all chances of any development in that distant Northland.

He wrote to Gustav Schwab on March 1, 1909, that his statements and arguments in favor of a sea-level canal at Panama were almost unanswerable; yet he felt that if President Taft, after personal investigation,

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aided by experts, gave it as his opinion that a lock canal was preferable, there must be very weighty reasons why he should be willing to take this responsibility.

He interested himself in the question of tolls through the Panama Canal, and made an address before the Chamber of Commerce of the State of New York, on December 5, 1912:

I believe opinions in this Chamber are very much divided as to the advisability and justification for the so-called Panama Canal Administration Bill. A great many members of the Chamber, and others outside of it, believe that it has been hasty and unfortunate legislation, and that it will bring us before the Hague Tribunal. Others again, whose opinion is entitled to weight, all over the country, believe that the legislation has been justified. I am frank to say that I side with those who believe that it is unfortunate legislation, not only in respect to the non-charging of tolls for American domestic or coastwise shipping, but also because it prohibits the passage of certain steamers through the canal.

I believe that the result will be that some of our existing domestic shipping will either be driven out of business or be driven into foreign hands, which would be worse. Be this as it may, I feel that it has been unfortunate, and perhaps not entirely justifiable, to have this discussion brought into this Chamber, and that an effort has been made to commit this Chamber, as a body, either to the support or non-support of this legislation. There is not only a possibility but a probability that our Government will be brought before the Hague Tribunal in consequence of this legislation. This is the law of the land now, and whether we are in favor of it or whether we consider it unfortunate legislation, our first duty, as loyal American citizens, is the support of the Government in the defense of the laws of the land.

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He was much moved by the great tidal wave in Galveston, and on September 13, 1900, presented the following minute for adoption by the Chamber of Commerce:

The appalling disaster which has befallen Galveston, of whose full extent authenticated reports have hardly yet come to hand, prompts the Chamber of Commerce of the State of New York to proffer its sympathy to the sorely stricken Island City, and to aid in the efforts now being initiated for its relief. But yesterday happy and prosperous, to-day desolate and prostrate, its citizens are deprived of their homes, many even dead or wounded, its commercial facilities destroyed, and its avenues of communication paralyzed. No disaster of like terrible magnitude has befallen any community on this continent within remembrance of this generation. But withal, we fear not that our fellow citizens, the people of Galveston, will despair or that their energy will not overcome their present affliction. We feel convinced that American manhood, which so readily adjusts itself to adversity to overcome it, will assert itself in the hard trial which Providence has laid upon that afflicted people. Their city, once so fair and commercially supreme, will, we trust, again rise, phoenix-like, from the disaster which has befallen it, to reoccupy its place among the great seaboard cities, through which a prosperous country pours its surplus products into the marts of the world.

During the height of the great flood of the Mississippi Valley, he addressed a telegram, April 25, 1912, to Senator Theodore E. Burton, chairman of the National Waterways Commission, which, had the suggestion been adopted, might have averted the even greater disaster of 1927:

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The recent floods of the Mississippi River and its tributaries have caused much loss of property and life over a rich area of more than twenty-five million acres. The great loss by the people of that section will run into many millions of dollars. The broken levees at many places and weakened condition at others leave that whole country subject to overflow and fresh damage from the annual June rise as well as destruction of crops which will be planted between now and that time. It would be a proper step for the United States Government, in addition to making appropriations to strengthen immediately the existing weakened condition of levees, to arrange for undertaking this work on a large and permanent scale and continue it until that section is safe from a recurrence of present loss and suffering. All will appreciate anything you can do in furthering this important work.

While not taking a leading part in the modern movement for the amelioration of the condition of prisoners, Schiff's wide range of human interests required that this subject too should have some of his attention. He was a member of the executive committee of the Prison Association, and one of its vice presidents. His interest in individual prisoners is indicated by the fact that he preserved a long poem written to him by a prisoner in Sing Sing in 1890, who acknowledged a "welcome parcel."

He was solicitous when he heard of a man being confined in prison for five months without trial, feeling that this was an injustice, whether the man was guilty or innocent. He intervened with Theodore Roosevelt, when the latter was governor of the state of New York,

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on behalf of a man who was sentenced to prison for a term of eight years and who had served one year of this term when the real culprit was found and confessed sole guilt.

When a proposal was made in the New York Assembly to rebuild Sing Sing Prison in 1919, he wrote to Alexander McDonald, chairman of the Ways and Means Committee, urging that Sing Sing be abolished and that a "farm-industrial" prison be established elsewhere, supplemented by a small receiving prison where convicts could be examined and assigned either to a farm-industrial prison or, in extreme cases, to stricter confinement.

He served as vice-chairman of a sub-committee on Capital Punishment of the National Committee on Prisons. In 1915, when a hearing was held in Albany for the purpose of considering a proposed amendment to the constitution of New York abolishing capital punishment, he wrote a letter, June 9th, favoring the amendment, and asserting that even if there were no other good reasons for it, it was too terrible to think that a single human being should be put to death when there might be a possibility of his innocence. Two years later, June 4, 1917, he wrote to Governor Lowden of Illinois:

I am informed that the bill for the abolition of the death penalty in your state has passed both houses of the Legislature and is now in your hands for approval. May I express the hope that you can see your way to attach your signature to this important bill, so that it may be enacted into law, for this would give powerful help to the obtainment of similar legislation in other states, for which the action of your great state would be guiding. To an enlightened executive like you, I am sure I need not offer any particular

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argument in favor of this proposed legislation except that wherever such legislation has been in force, homicide has decreased to a considerable degree.

Upon determining to return to Europe, in 1873, he resigned from the Chamber of Commerce of the State of New York, and did not thereafter rejoin it until 1889. He served as vice president from 1898 to 1902; from 1909 to 1913; from 1915 to 1917; and again accepted office in 1919. From 1909 on, he was one of the trustees having charge of the real estate of the Chamber. There were also other activities closely related to the business of the Chamber. He was a member of its committee on Finance and Currency from 1902 to 1904, and from 1906 to 1909. He was also a member of its committee to secure contributions for the relief of starving people in Russia in 1892; for the relief of sufferers in Turkey in 1896; to create a memorial to Colonel Waring in 1898, of which he was chairman; for the relief of the Galveston sufferers in 1900; for the relief of the sufferers from the Martinique disaster in 1902; and for erecting a statue to Abram S. Hewitt in 1903.

His portrait hangs in the Chamber, and attached to it is a poem by John H. Finley:

A TRIBUTE TO JACOB H. SCHIFF

He was a Ship—a sturdy argosy
Of timbers such as grew in majesty
Long since upon the slopes of Lebanon
Or built the temple of Great Solomon—
A Ship that sailed strange oceans till he came
To these far shores, forever new of name,

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And made this harbour his home port henceforth
To sail or East or West or South or North
But e'er to bring from his all-planet quest
Back to his best belovèd land, the best.
Here have we sunset and the evening star,
But he's put out to sea! He's crossed the bar!
A Spirit-Ship sails through the moon-lit Dark!
God give sweet haven to this Blessèd Bark!

September 25, 1920.

CHAPTER X

THE city of New York meant much to Schiff. There he lived for more than fifty years; there he attained his great business success; there he married and founded a home. Its streets, its parks, its schools and libraries, its colleges and universities, its museums and galleries, its institutions of relief and beneficence, its people—all were dear to him. In spite of many great national and international interests, New York always had the first call upon his attention and his affection.

George A. McAneny writes that there was scarcely a good work of public import of any description in which Schiff was not in some way concerned. Through the City Club, of which he was a member, as well as through other organizations and movements, he strove to aid in promoting independent and non-partisan action in the election of municipal officials. R. Fulton Cutting says:

I consulted him frequently upon philanthropic and civic matters and always found him encouraging to idealism that had practical substance. I remember well one particular instance of a visit I paid him during a municipal campaign, when I was in much anxiety. He relieved my apprehensions at once, and I came away immensely cheered. It was not that he expressed any opinion upon the prospects of success in the campaign, but because his outlook rested upon a spiritual foundation more enduring than that of temporary victory. Reliance upon righteousness, upon maintaining unequivocally the standard of civic duty professed, was the burden of his counsel. It sustained

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me permanently, for I have never forgotten the encouragement he gave me. In many other instances his substantial coöperation in various movements for social and civic betterment strengthened me and contributed to their success.

As early as 1893 he became a member of the committee on Municipal Government of the City Club, and in 1902, feeling that the Club was going outside its domain in engaging in state politics, he took the ground that it should devote itself entirely to the affairs of the city, and by a clear by-law exclude state politics from its sphere of activity.

In 1903 he was solicited to become a candidate for alderman, but declined on the ground of his defective hearing, which would prevent him from taking full part in discussions. "Otherwise," he wrote, "I should consider it a duty and a pleasure to become an alderman." Certainly the willingness of so busy a man to spend the large amount of time required in the service of such an office indicated a high sense of duty to his adopted city. In 1904 his name was suggested for the mayoralty of New York, and upon that occasion the *Troy Times* published the following statement, which gave an indication of his standing in New York State:

December 13, 1904.

Prominent Republicans in New York City have intimated their desire that the Republican candidate for mayor next year shall be Jacob H. Schiff. Mr. Schiff is one of the best-known business men in the metropolis, and his executive capacity is remarkable. He abounds in public spirit, and his means and effort have been generously devoted to measures for the city's good. Wherever there is a general movement in behalf of public righteousness and

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the comfort and well-being of the people, Mr. Schiff's name and personal influence are found. If he should consent to permit his name to be used as the Republican candidate for mayor he would be elected by a commanding majority, and with his faculty for perceiving the salient features of administration he would make his official term one which would probably be without precedent for accomplishment of public benefits and for advantage to the city.

Again in 1905 his name was brought up as that of the man who could overthrow Tammany at the next municipal election.

He wrote to George B. McClellan, then mayor, on May 9, 1905, urging him to endorse a measure to restore the four-year term of the mayor and other city officials, on the ground that a two-year term was too short to make good work on behalf of the city effective. Later in the year he wrote to Charles M. Jessup, approving of a plan that the latter was then promoting to enlist college men in the cause of municipal politics: "After all it is in the municipalities, with their ever increasing importance, that the hope for the future of the Republic necessarily lies."

He expressed his opposition to a proposal to hold special elections in the event of the death of the mayor or of the president or vice president of the Board of Aldermen, writing to Lawrence Veiller, December 20, 1905:

I have read with much interest the circular papers which you have sent me, the contents of which will form subjects for discussion at this evening's Trustees' Meeting, at which, to my regret, I shall be unable to be present. The one subject in these papers with which I am not in accord is the suggestion that the charter be amended so as to pro-

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vide that in the event of a vacancy occurring in the mayor's chair during the term of office of the incumbent; a special election be held for the election of a new mayor for the unexpired term of the outgoing incumbent and that a similar amendment be enacted with regard to the president and vice president of the Board of Aldermen. In my opinion it is not advisable to have special elections *of importance*, which always become a more or less disturbing element; moreover, as you have it, if a mayor should die or become incapacitated six months or ninety days before the expiration of his term, a special election would have to be held. Such an eventuality would not be desirable.

Indeed, it appears to me very desirable that the voters fully understand that it is just as important to nominate high-grade men for the presidency of the Board of Aldermen as for the mayoralty itself, and as to the vice president of the Board of Aldermen, perhaps it might be well to amend the charter, so as to provide that this office shall also become elective. As to the objection that the vice president of the Board of Aldermen might become president of the Board and even Mayor, I beg to remind you that under the laws of the United States members of the Cabinet may, in the eventuality of both the President and Vice President of the United States dying while in office, get into the Presidency.

In 1908 he commenced to show an active interest in the Bureau of Municipal Research, and endeavored to bring it into relationship with the Chamber of Commerce. On January 8, 1909, he wrote to Cutting:

I am very desirous that the work contemplated by the Chamber of Commerce committee shall result in the strengthening of the Bureau of Municipal Research to a

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very considerable degree, for I know that only if we put the Bureau in a position to do its work thoroughly and extensively can its activities become so beneficial that present conditions in the city government and its finances shall give room to approved and well regulated administrative methods.

He offered a considerable contribution to the Bureau in order that it might carry on its work unhampered by the necessity of securing pecuniary support, and he maintained this interest in it, and in its Training School for Public Service.

He had pleasant relations with William R. Grace when the latter was mayor of New York, in 1884, and later with Seth Low, both as mayor of New York and as president of Columbia University.

In 1893 he served as a member of the Committee of Seventy which nominated William L. Strong for mayor, and completely defeated the Tammany organization when it had apparently become more strongly intrenched than ever before. He strongly urged Nathan Straus not to accept the nomination for mayor on the Tammany ticket, in 1894, risking the friendship both of Straus and of his brothers, which was very dear to him. In various directions he urged support of Strong, who won the election.

In 1895, he joined one of the "Good Government Clubs" which were then being formed. He served for a short time on the executive committee of the Convention of the Federated Clubs, but he resigned when it was planned, despite the report of the majority of the

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committee, to put up an independent municipal ticket, which he thought would divide the forces that ought to be united against Tammany.

His devotion to the cause of good government brought him face to face with a curious dilemma which interfered with his usual kindly impulses. A man whom he knew well, and who, as a trustee, was under considerable bond—which bond had been given by an individual—was obliged to replace the bond because of the death of his friend. In view of the fact that the man was prominently opposed to the reform movement, Schiff hesitated about supplying the bond, because, he wrote, "If I identify myself with him in this manner at present it would give rise to unpleasant misconstructions, and might be hurtful to the interests of reform."

When Seth Low was being considered for the mayoralty of the new "Greater New York," he wrote:

May 25, 1897.

MY DEAR MR. LOW:

Mr. R. Fulton Cutting has acquainted me with what has passed at the conference recently held between your good self and Messrs. Larocque, Schurz, and Cutting. For one, I am very happy to know that you have at last decided to accept the burden of a nomination for the mayoralty of Greater New York if it comes to you in a manner which shall satisfy you that you can count upon the united support of all forces who are believed to be opposed to a return of Tammany into power, with all the corruption and other bad influences this would mean in the management of the affairs of the enlarged municipality.

With many others, I cannot help but feel that you are the logical candidate for the first occupant of the mayoralty chair of Greater New York, and it is, indeed,

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not to say something to please or flatter you, but alone to give expression to my frank opinion, . . . that your candidacy would be irresistible, and that, once nominated, no matter under what combination, there would be thereafter only two candidates in the field, yourself and the Tammany nominee.

On the other hand, the Citizens' Union can, in my opinion, not possibly, without endangering the entire movement for good municipal government, hold out the idea or hope to the Republicans and others that it is ready to discuss fusion. It can only do the one thing, make its nominations, and if they are such as will command general approval, the Republicans will be compelled to endorse the Citizens' Union candidates. A grave responsibility, I fear, is thus placed upon you. Personally, I feel that if you see your way to accept a nomination from the Citizens' Union, all anti-Tammany forces will promptly unite upon you, but if you are unwilling to take the risk of a nomination, at the outset, from the Citizens' Union alone, there is great danger of a collapse of the movement, with all the ills which must result as a consequence in the future government of our city.

I know the position into which you are thus placed by force of circumstances is not an enviable one, and that it will take the greatest courage and the highest civic virtues to decide rightly and properly. It is my devout prayer that the strength and enlightenment which you need may be vouchsafed to you, and that the crisis which is upon us may be solved in the manner in which we so anxiously hope that it will be.

Very sincerely yours,
JACOB H. SCHIFF.

As the campaign proceeded, Low indicated the importance he attached to Schiff's advice when he summoned a group of friends with whom he took counsel

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as emergencies arose, and asked him to be one of the group.

Low was elected mayor of Greater New York in 1901, and, when he failed of reelection, Schiff wrote on November 11, 1903:

I think the people of New York, sooner or later, will . . . understand what a tremendous service Mr. Low and his associates in the . . . administration have rendered them, and I am quite satisfied that our city will hereafter be a better place to live in because it has had these past two years . . . of clean, healthy, business-like government.

The Committee of Fifteen which had undertaken to purify New York politics and elections, was in debt, and was trying to relieve itself of some obligations. In response to a request in this direction, Schiff wrote a whimsical letter to John Harsen Rhoades, agreeing to bear his share:

December 20, 1904.

DEAR MR. RHOADES:

"This is a good world to live in, to give in, to lend in,
But to borrow in, to beg-in, or to ask for a man's own,
It is the worst world that has ever been known."

This well known verse forcibly comes to my mind upon receipt of your letter of yesterday, and I really am very sorry indeed that you have to go to all this trouble in trying to get together the funds to pay off this debt of honor of the Committee of Fifteen. It is not for me to criticize the action of others, and all I can say is, as I have done before, that I shall wish to share to the last cent in discharging this debt, and will gladly share again in any

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new voluntary assessment which it may be necessary to call for to wipe out the debt.

Believe me,

Yours very truly,
JACOB H. SCHIFF.

E. H. Outerbridge records another effort of Schiff's on behalf of clean municipal government:

In 1909 a Citizens' Committee was organized to endeavor to bring about the election of a municipal government ticket composed of men of the highest class, character, and ability. I was absent from the city when this committee was organized, and when I returned found that I had been elected chairman. I was greatly disposed to decline, as I had had no political experience, was in doubt whether it could be effective, and had no knowledge of where its financial support would come from. Mr. Schiff urged me strongly to accept the election and take active direction of the committee's work, and offered liberal financial support, and to interest himself in obtaining the support of others. This he did most effectively and aided the committee most liberally with his advice and means. The moral and financial aid which he gave and influenced others to give was of untold value. The committee was finally successful in procuring the nominations of all the men it selected from the head of the ticket to the bottom, and the entire ticket, with the exception of the mayor, was elected, this being one of the most notable defeats of the local Democratic organization that had ever occurred in municipal politics in this city. The standard of government was raised to a point never before known in this city, and the people returned for a second term practically all the incumbents who had been elected on this occasion.

In the recollections of George McAneny there is an-

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other record of Schiff's endeavors on behalf of good government, and how as a matter of principle he disregarded national party lines in municipal politics:

In 1913 Mayor Gaynor was a candidate for renomination. In 1909 a strong Fusion had been formed against Tammany. As the result of the division of the vote for mayor, Judge Gaynor was elected; and found himself at the head of a Board of Estimate, all of the other members of which were Fusionists. Notwithstanding this division in political origin, the Board of Estimate, from the mayor down, worked together with a great deal of harmony. In the super-important matter of the extension of the city's transit system, the line-up found Mayor Gaynor voting with Comptroller Prendergast and myself ¹ in favor of the Dual Contracts, through which the mileage of the rapid transit lines was doubled and their carrying capacity trebled, and Mr. Mitchel, a Fusionist, in opposition. The contracts were approved over Mr. Mitchel's adverse vote, and proved the city's physical salvation.

Upon the opening of the campaign of 1913, the Tammany organization denied a renomination to Judge Gaynor, naming Judge McCall to succeed him. As the result of a new anti-Tammany Fusion, Mr. Mitchel was named for mayor, I for the presidency of the Board of Aldermen, and Mr. Prendergast again for the Comptrollership. The many thousands of those who supported and believed in Mayor Gaynor, through a representative committee, met this situation by renominating him upon an independent ticket. An organization was effected, styled "The Mayor Gaynor Fusion and Nominating League." Mr. Schiff, who believed in the mayor and who staunchly maintained that in view of his record in the matter of transit he should be retained in office, became a member of the executive com-

¹ McAneny was President of the Borough of Manhattan.

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mittee of the League and assumed at once a leading part in the new Independent movement. On September 11th Mayor Gaynor, who had gone abroad to better his physical condition in preparation for the campaign in prospect, died at sea. The city received the news of his passing with consternation and, I might say, without regard to the drawing of political lines.

Immediately the question arose as to the use to be made of the political forces his candidacy had represented and the further steps to be taken in the matter of the campaign in support of the issues for which he had stood. On the day following, the executive committee of the League met and, after a morning of discussion, resolved to continue its work, and named me as its substitute candidate for mayor. The League appointed a Committee of Three, with Mr. Schiff its chairman, to notify me of this nomination. The committee came to City Hall that same afternoon. Mr. Schiff stated its position, and argued most eloquently in favor of the plan for the continuation of its campaign. Irrespective of the argument upon the grounds of general public expediency, there was but one thing that I could say: I had, three weeks before, accepted the nomination for the second place on the Fusion ticket and announced publicly that I would support Mr. Mitchel. I felt foreclosed from any possible acceptance. I was urged to hold the matter in suspense for a day or two, and to consider a decision more carefully. For reasons that I explained to Mr. Schiff, this course, too, seemed inadvisable, and the announcement was, therefore, made at once that I could not accept the nomination tendered me.

The executive committee of the League had a further session the following day and decided to discontinue its separate campaign. The election of Mayor Mitchel followed, though it has remained a matter of conviction among many of those who were intimately familiar with

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the political situation of the time that, had Mayor Gaynor survived, the movement formed in his favor would have resulted in his retention in office.

Robert Adamson's very full recollection of Schiff's participation in municipal affairs, especially under the Administrations of Mayors Gaynor and Mitchel, is quoted as throwing further light on these years:

His outspoken and vigorous championship of the re-election of Mayor Gaynor in defiance of the action of both political parties constitutes an example of independent citizenship which has few equals. Throughout Mayor Gaynor's administration, Mr. Schiff had been one of his closest and most trusted advisers. While they had not been particularly intimate before Judge Gaynor's election to the mayoralty in November, 1909, they were thrown into frequent association during the four years that followed and there sprang up between the two men a strong feeling of trust and respect. It is an evidence of Mr. Schiff's independent type of mind that, although Mayor Gaynor was assailed by as strong a tide of newspaper and other forms of attack as ever fell to the lot of any official, this criticism did not in the least affect Mr. Schiff's opinion of him as a man or an official.

Mr. Schiff was at the time treasurer of the American Red Cross, and during the term of Mayor Gaynor a number of great disasters occurred which called for speedy and prompt relief through the medium of the Red Cross. Mayor Gaynor would never act on matters of this kind without consulting Mr. Schiff, in whose judgment he placed the most implicit reliance. It must be borne in mind that many requests are made to the chief magistrate of New York City by emotional and well-meaning people that he use the powers of his office to call for funds for this and that purpose. Mayor Gaynor always felt that Mr.

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Schiff's judgment upon any matter of this kind was absolutely sound and that it was given freely without reference to race, creed, or color. Upon many broad matters of policy, such as transit, and other questions, Mayor Gaynor often sought the advice of Mr. Schiff, which he repeatedly stated that he felt he could rely upon without any feeling that it was colored by self-interest. It so happened, therefore, that in the summer of 1913, when Mayor Gaynor's Administration was drawing to a close and a new municipal campaign was at hand, Mr. Schiff, who had theretofore almost invariably been identified with the movement in behalf of what might be termed fusion or reform, unhesitatingly declared his support for Mayor Gaynor.

He discriminatingly perceived the difference between Judge Gaynor and others who had been nominated for the mayoralty by Tammany, and took his stand without waiting for the action of either party or independent fusion organization. Mayor Gaynor was denied renomination by Tammany Hall and the fusion forces definitely selected John Purroy Mitchel for mayor. It therefore became a question as to whether or not those men who believed in Mayor Gaynor's type of administration should quiescently accept this situation or should wage an aggressive fight for Mayor Gaynor's reelection. From the very first, Mr. Schiff strongly urged that Mayor Gaynor should run independently. He felt and stated that it would be humiliation for the citizens of New York quietly to accept the fiat of political organizations that a man who had done so well as he believed Mayor Gaynor had done should be retired. It was therefore largely upon his counsel that those who believed in Mayor Gaynor finally decided that Mayor Gaynor should become the candidate for an independent movement.

Mayor Gaynor's nomination is perhaps unique in the history of municipal politics. It was made at a great public

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gathering in front of the City Hall and it was Mr. Schiff who presided from the steps of the City Hall and notified Mayor Gaynor of the great popular demand for his continuance in office. Mr. Schiff in his speech notifying Mayor Gaynor of his nomination said:

"The movement which we propose to organize to-day is destined to demonstrate that the people of New York will not tolerate dictation from self-appointed committees and political organizations as to who shall administer their municipal affairs and that they know how to reward one who has served them well, one who has been honest, capable, fearless, and independent.

"During the past four years we have enjoyed under Mayor Gaynor and his associates on the Board of Estimate an administration such as we have not had for the past half century, and if I correctly understand the temperament of the people of this city, they do not mean to take any chances of permitting their tried and experienced chief magistrate to be replaced by either of the two other nominees who, though both men of high type, do not possess the experience nor the qualifications which have made Mayor Gaynor so successful in municipal administration."

What would have been the outcome of this unprecedented independent movement remains a speculation, for within the week Mayor Gaynor was dead. At the time of his nomination on the steps of the City Hall he was in such frail health that he was unable personally to accept the nomination and his acceptance was read for him by his secretary, Mr. Robert Adamson. He sailed for Europe on the following day and died on board the steamer. During the brief period between the decision that Mayor Gaynor was to run and the date of his death, Mr. Schiff was the head and front of this independent movement. Though without experience in practical politics, he conferred fre-

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quently with the men in charge, and on one occasion, Mr. Adamson, who was actively handling the campaign for Mayor Gaynor, had mentioned that some of the plans which the managers had had in mind had to be vetoed because of lack of funds. Mr. Schiff with great emphasis and decision said:

"Mr. Adamson, you and these other gentlemen go right ahead with the campaign and do not give a thought to finances. All of the money that will be needed will be forthcoming."

Mayor Gaynor's sudden death left in the race two candidates—John Purroy Mitchel, nominee of the independent Fusion forces, including the Republican Party, and former Supreme Court Justice Edward E. McCall, the nominee of Tammany Hall. This created a situation which required independent citizens of the type of Mr. Schiff to make their choice, and Mr. Schiff made his promptly. At a memorial meeting in Grace Methodist Church on the evening before Mayor Gaynor's funeral, Mr. Mitchel paid a high tribute to Mayor Gaynor and said that while he and the Mayor had often differed, everyone recognized his honesty and independence. On the very next day Mr. Schiff wrote to Mr. Mitchel, saying that he was glad that he had renounced the unjust slander he had hurled at Mayor Gaynor and those who had led in his nomination. He said that he understood that things can be said in the heat of a campaign that have no justification, but: "It takes more courage to admit a wrong done than to perpetrate it. I am doubly glad because I can now support your election with a whole heart and with as much energy as I would have opposed it had Mayor Gaynor lived."

Mr. Schiff's support of Mr. Mitchel in 1913 was the beginning of a relationship between him and the youthful nominee who was destined to be the next mayor of the city which became almost as close as that which had

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existed between Mr. Schiff and Mayor Gaynor. The men who had stood with Mr. Schiff in the nomination of Mayor Gaynor followed him as one body in the support of Mr. Mitchel, Mr. Adamson, who with Mr. Schiff had taken active part in the nomination of Mayor Gaynor, becoming manager of Mr. Mitchel's campaign.

During this campaign and the four years that followed, Mr. Schiff occupied the same relation of trusted adviser and counsel for the mayor that he had occupied during the past four years. It became almost a tradition in Mayor Mitchel's circle that Mr. Schiff's advice was infallible.

His admiration of Mayor Mitchel during four years of close intercourse was so great that he took the leadership in the movement to erect a suitable memorial to Mayor Mitchel's memory. It was in his private office after the suggestion of a memorial had been made by the *New York World* that the first meeting was held, at which the memorial movement was formally organized. Schiff stated that he felt that one of the best ways to promote and perpetuate good government in the city was constantly to keep before the minds of the people the services of men who had given the city good government. He felt it was the duty of those who had supported Mayor Mitchel to perpetuate his memory and his work by some striking and permanent memorial. He stated that he would contribute \$50,000 to such a memorial. His friends told him that this sum was more than any one citizen should be expected to give and he reluctantly said: "Well, make it \$25,000 then." It was this first substantial contribution which started the fund for this memorial, which is now in course of preparation.

The eight years of the two administrations referred to, in which Mr. Schiff played such a prominent part, practically marked the end of his participation in municipal government. It is not too much to say that no man outside

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of active office contributed so much as he contributed during his many years of useful citizenship in New York City and particularly during the eight years from 1910 to 1918.

He gave as his reason for supporting Mayor Mitchel for reelection in 1917:

the splendid, business-like, non-partisan administration which we have enjoyed in this municipality for the past four years, and secondly because past experiences have taught me that naught but the reverse of this can be expected from any administration under the influence of Tammany Hall.

Mitchel was defeated in this election, much to Schiff's regret.

At least as early as the mayoralty of Seth Low, Schiff took up the question of the city's budget, and the results which the citizens of New York obtained through the expenditure of its funds. He gathered statistics for the mayor, indicating that the results were not proportionate to the expenditure. He urged the city departments to accept the programme laid out by the Bureau of Municipal Research, and regretted that the Chamber of Commerce did not take more positive steps in this direction.

He addressed Mayor Low, July 8, 1903, on the subject of a sinking fund for the city:

In municipal indebtedness it is perhaps proper and advisable to provide for eventual extinction, at the time of creation, but this should be done under legislation providing for automatically working sinking funds, rather than by making different provision for different issues of bonds.

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That taxation for sinking-fund purposes may not be made to fall too heavily upon one generation, municipal bonds should be made to run for long periods, a uniform sinking fund to be established to be adequate to final extinguishment. I would suggest that any legislation sought . . . should make some such provision for existing and future indebtedness of the municipality, after taking into consideration the amount of the municipal debt which will become extinguished through the sinking funds already accumulated.

On December 3, 1908, he took up the budget question in an address before the Chamber of Commerce:

What we want is a central committee of this Chamber to take up the entire question of the household of this city. Our budget is made up at present in a way that I believe is quite haphazard. Every department hands in its estimate, what it needs, and the Board of Estimate and Apportionment goes to work and haggles and trades with each department as to how much less it can get along with. Now it appears to me that the budget ought to be made up in a different manner altogether. We all know what the city's primary needs are: proper provision for health, proper provision for policing, proper provision for education. Then we need proper provision for charity departments, and proper provision for improvements and other purposes. But some of these matters must give way for more important requirements. It is better that some of these things should be carried out to their full extent, and that some of the other things should wait—especially new improvements. In other words, we should live according to our power to spend.

On February 4, 1909, he expressed himself against any increase in the city's debt limit, even for what seemed

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to be necessary purposes. The New York *Sun* reported his address as follows:

I have for a time believed that it might be perfectly safe in the counting of our debt limit to exempt the debt which has been created for self-supporting public utilities, but I have reluctantly reached the conclusion that, even at the risk of delaying some necessary improvements for some little time, we should for the moment call a halt. In the first place, consider: if this amendment is passed it will place the securities, the bonds, of the city of New York outside of the class of securities which the United States Government accepts for its public deposits. Do you want to have the city of New York go into the markets of the world and endeavor to borrow money and be answered: "Shall we lend you money? Your own bonds are not good enough for your national government to accept as security for its public deposits." Can the city of New York place itself in such a position?

And then are we not ourselves responsible for the condition in which we find ourselves at present? It is proper that for a year or two or three years we should submit to the punishment which we have ourselves brought upon us. I deny that it is a most important thing to have more subways or more of some other improvements. I think it is more important that we first get orderly housekeeping, that we preserve our credit. We lose nothing, or not very much, if we stop for a year or two. When the gentleman calls our attention to the greatness which the city has reached through the building of railroads, does he remember how many towns and cities and counties in the West brought themselves into an actual state of bankruptcy through too lavish spending of their credit in aid of railroads, only twenty or thirty years ago, and then when it was too late constitutional amendments had to be passed in Illinois and

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Kansas and other states to prevent a recurrence of what had occurred? Gentlemen, if you vote down this resolution you vote down the credit of the city of New York. I know what I am speaking of. Nothing stands to-day between us and the acceptance of the constitutional amendment by the legislature but this resolution of the Chamber of Commerce. As with individuals, so with corporations, so with states and municipalities, there is nothing more valuable in anyone's possession than one's credit. Be careful before you act that nothing you do shall tend to ruin the municipal credit of our own city.

An evidence of his minute attention to the details of city budget is a very lengthy communication which he sent to Mayor George B. McClellan, in October, 1909, in which item by item he drew up a tentative list of savings. For the year under consideration he indicated a possible saving of \$3,000,000, and he justified his statements by references to documents and reports, going into detail as to the waste in building of sewers, the purchase of supplies, the overburdening of payrolls, and the other abuses which are known to exist in some of our large cities.

As early as 1891, the question of securing an adequate system of rapid transit in the city of New York engaged his attention, and in March of that year he appeared before the Rapid Transit Commission and presented a plan whose essence was private operation of roads built by the city. This plan he pressed energetically, laying it before Mayor Hugh J. Grant with the statement: "It is my conviction that the question can practically only be solved in the manner indicated in the statement which I submit to you."

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He also presented it to Abram S. Hewitt, the former mayor, and sent a copy to the editor of the *New York Herald*, writing:

I feel satisfied that if the *New York Herald* would take up the advocacy of giving this city a system of rapid transit to be constructed at the city's expense, through a Board of Commissioners of non-partisan business men of recognized standing and ability, it would do the public an immense service, and probably solve the question, through its wide influence, in the only manner in which it appears practicable to solve it.

To the editor of the *New York Tribune*, he wrote on May 8, 1891, approving an editorial in that paper entitled "Rapid Transit Still Remote." The plan at the time was to have the rapid transit lines in New York built by private enterprise. Pointing out the difficulties involved, he wrote:

Possibly and probably the commission will issue a charter to some persons, who in turn will try to sell it to capitalists for a good round sum, and thus rapid transit will more or less become the football of speculation.

He proposed that the *Tribune* should adopt as its slogan: "Rapid transit by the people, for the people."

At the end of 1892, he addressed a letter to William Steinway, chairman of the Rapid Transit Commission, in which he again most strongly urged the plan of city-built roads, operated by a private corporation which would lease these lines when completed:

You will no doubt remember the statement which I made some twenty months ago before the Rapid Transit Commission, in which I endeavored to show that it would not be possible to secure rapid transit promptly and eco-

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nomically unless the construction were undertaken by the municipality.

The citizens of New York are, however, largely indebted to you and to your fellow Commissioners for the energetic and intelligent labor which you have performed, and which, without any doubt, will tend toward the solution of the rapid transit problem. The plans adopted by your Commission after such careful study of the entire subject should be adopted as the most practicable upon which rapid transit can be secured, for no other body of men or individual has ever given the subject such exhaustive examination, and no other opinion as to a practicable scheme can therefore be entitled to so much weight as yours. It is to be regretted that a statement has already gone abroad that if the plan adopted by your Commission cannot be taken up by capitalists, the next best plan, possibly of surface transit, must now be considered, with a view to its adoption. New York cannot and will not accept a next best plan; it must have the very best plan of rapid transit that can be conceived, and it must have it promptly.

The citizens of New York have the utmost confidence in your Commission, and they could and would have no objection if the gentlemen composing the Commission were constituted into a department to undertake the construction of a rapid transit road, upon the plans already adopted by you, at the expense of the city. Legislation to that effect should be at once obtained, and should include power *and direction* to permanently lease the rapid transit lines, when completed, at the expense of the city, to any responsible corporation formed for such purpose at a minimum rental equal to the interest on the capital expenses and a sinking fund for the final extinguishment of the principal. This is practicable, and would result in a considerable income to the city over and above the interest of the bonds which it would have to issue for the purpose of constructing the

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rapid transit lines. Now that it has been demonstrated in good faith that private capital is not prepared to come forward promptly to carry into effect the plans which your Commission has so carefully worked out, you and your fellow Commissioners will perform a patriotic duty if, without fear or favor, you will at once proceed to obtain the legislation which is necessary to give practical effect to your plans at the expense of the municipality.

To Simon Sterne, he wrote early in 1893, strongly expressing the opinion that

we shall never get real rapid transit, and at a low cost, until the city undertakes the construction of an underground system, under such restrictions that the carrying out of the project is to be kept out of the hands of politicians, and also under legislation which shall make the leasing of the system mandatory immediately upon its completion.

On February 15, 1894, he spoke before the Chamber of Commerce:

Shortly after the Rapid Transit Commission was called into existence, I prophesied that it would be a loss of time if they attempted to formulate a plan upon which private capital should embark in the construction of this road. It is not possible to raise private capital for building a road that would probably cost some five millions of dollars a mile; and upon a return of five cents for each passenger, which is now the established rate of local transportation in this city, I pointed out it would be a waste of time if they entered upon a scheme through which an attempt should be made for private capital to build the road.

If we do not get rapid transit sooner or later—we may not see it, but coming generations will feel it—we shall lose considerable of our importance as a commercial metropolis. Such things work slowly but they work surely;

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and I cannot see why, in a matter which is just as important to the city of New York as the supply of its water or the supply of anything it needs for its daily wants, the citizens of New York should not put their hands in their pockets and tax themselves at as low a rate as possible, instead of taxing themselves at as high a rate as possible, which they will have to do if private capital builds the road. It will not cost 6 per cent., but will probably cost 10 or 12 per cent. to get private capital to build that road; for in all probability 5 per cent. bonds will have to be issued, which will be sold, say at 80, and stock will be issued, which will be thrown in as a bonus, and on which in years to come some 10 per cent. dividends will be paid; so that it will not cost 6 per cent. to the city of New York to pay for this road, but 10 or 12 per cent., and every man, woman, and child in the city of New York will have to pay a part of it. I therefore recommended that they procure legislation through which the city could build the road and at the same time direct the city to lease it to a corporation which should operate it upon completion. For we all know it may be very dangerous to have the city authorities owners and operators of the proposed rapid transit system. A corporation could easily be formed to lease the road after its completion; but in this too there would be drawbacks.

The plan endorsed by the Chamber of Commerce committee seemed to him acceptable, but he was given to understand that it would be necessary first to secure an amendment to the constitution of the state, permitting the city in this particular instance to lend its credit for the purpose of building its subways. Schiff feared that this might not be possible, and in any event that valuable time would be lost in the process, and therefore proposed an alternative plan:

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Organize a company with a large paid in capital, the entire capital of the company to be paid in at once. The company thus organized to contract with the city for the construction in its behalf as owners of an underground rapid transit system. The city to issue 3 per cent. bonds, payable after five and redeemable after fifty years, from the proceeds of which the construction of the rapid transit system is to be paid for. The company to pay to the city the interest upon the bonds thus issued, and in addition an annual sinking fund, sufficient to extinguish the principal of the debt within fifty years. As the sinking fund payments are annually made, a proportionate amount of the outstanding bonds is to be called in for account of the sinking fund.

As a protection to the city, the company is at once to deposit with the Comptroller its entire cash capital, which capital shall be sufficient in amount to fully equip the rapid transit system when completed; the deposit so made to be from time to time withdrawn for payment of the equipment as it is purchased. Should the company at any time fail to make the stipulated payments of the interest and sinking fund, the deposited capital or the equipment purchased with it shall at once pass into the ownership of the city as liquidated damages.

In return, the company is to receive a lease of the rapid transit system when completed, for the term of fifty years, after which period the equipment shall pass into the ownership of the city at such valuation as may be agreed upon by arbitration. If the necessary legislation can be secured to carry this plan into effect, we shall promptly secure rapid transit at the lowest possible cost, for it may be assumed that the company, having itself to provide the interest on every dollar it expends on behalf of the city, will keep down the cost of construction to a minimum, while the cash capital of the company to be deposited with the

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Comptroller can be made sufficiently large to fully protect the city.

In recognition of his personal friendship and Schiff's connection with the movement for rapid transit, Hewitt sent Schiff on November 21, 1901, a copy of the medal presented to him by the Chamber of Commerce in commemoration of the rapid transit construction. The idea of a rapid transit commission had virtually originated in the Chamber of Commerce, and in 1904, Schiff served as a member of its committee "to report on recognition of the Commission's services."

Indicating that Schiff always had in mind not only rapid transit, but also sound city planning in connection with city transportation, there is a letter to Charles Stewart Smith, of March 22, 1905:

I understand the question of the construction of an elevated loop to reach the Delancey Street Bridge will come before the Rapid Transit Commission tomorrow for final decision. While there necessarily must be two sides to every question, I earnestly hope that the project will be defeated. It is very generally conceded that the time has passed when our streets should be permitted to be burdened with elevated structures for transit purposes, and to me it appears that if this principle is applied anywhere in this city, it ought certainly to be so applied in a district where the people are crowded into tenement houses and where they can get a scant supply of air and light solely from the street. Rather should the building of an elevated structure be permitted in Fifth Avenue or Broadway than in Baxter and Delancey streets. A city can have no more valuable asset than the life and health of its citizens, and to wantonly endanger these would indeed be cruel. I earnestly trust that you will vote against the proposed

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measure, for which the construction of a subway ought to be the proper substitute, even if this takes a somewhat longer time and requires a somewhat larger investment.

Of similar import is a letter to Miss Wald, of July 23, 1906, in which, after stating his opposition to any new elevated railway system, he added that he was not opposed to the laying of additional tracks on existing structures, "because I feel we owe something to the people of upper New York, among whom are many toilers who should have all possible facilities to reach the lower part of the city with speed and comfort."

The importance of the proper administration of the Police Department in New York was so deeply seated in his mind that he discussed the subject with former President Taft at a dinner at his own house in February, 1914. As a result of this conversation, he wrote a letter to Mayor Mitchel suggesting that an army officer might be the best person to head the police. In 1918 he urged a salary increase for the police and firemen of the city, who, he thought, deserved it especially because of the risks they ran.

In 1894, at the suggestion of Miss Wald, he undertook the erection of a fountain at the intersection of Canal Street and East Broadway, Rutgers Square. The project and its purpose are explained in a letter of October 18th, to M. Warley Platzek:

It has been said to me that during the warm summer days the open place or square at the intersection of Canal Street and East Broadway, just before the Hebrew Institute is reached, is made a great congregating place for the

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surrounding tenement house population, who go there to get some of the fresh air of which they are so much in need.

I propose, if I can get the permission of the city authorities, to have a large fountain erected, at my expense, in the center of the square referred to, in order to give to the people who may come to the square the benefit always derived by the tired and overheated from a flow of fresh water. I hardly know how to go about getting the necessary permission from the municipal authorities, and believing that you well know how to handle such matters, I turn to you with the hope that you will consent to coöperate with me in getting the required permission. If the latter is promptly obtained, it may perhaps be possible to have the fountain in place during the next summer season.

Promptly on November 2, 1894, he sent Platzek a sketch of the proposed fountain, which he said he would like to have erected before the next hot season, adding:

No inscription is intended which shall indicate the fountain has been erected at my instance, and . . . no ulterior purpose is sought, only the benefit of the people of the district in which it is proposed to place the fountain.

The Board of Aldermen having passed upon the gift and the Department of Public Works having approved, he wrote to Arnold W. Brunner, the distinguished architect, asking him to take up the construction. To this letter, he added a postscript: "Please do not discuss the subject with reporters, as it is distasteful to me to be advertised."

On June 24, 1895, he wrote to Mayor Strong that the fountain was completed and that he desired to turn it over to the city authorities,

to give pleasure to the people inhabiting the tenement

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houses of that part of the Seventh Ward in which Rutgers Square is located. In presenting the fountain to the city, it is not my desire to have any public demonstration, and this is therefore simply to request that you make proper designation of an official who, on behalf of the department under whose care the fountain will pass, shall take it over from the contractors.

Many other aspects of the welfare of the city likewise engaged his attention, among these the obvious matter of keeping the streets clean. He was particularly appreciative of the splendid work done in this regard by Colonel George E. Waring, Jr., and was chairman of a committee appointed by the Chamber of Commerce to honor the memory of Colonel Waring in 1898. To a meeting which he could not attend, he wrote:

I ask to be permitted to make an expression of the great esteem in which, with a multitude of our fellow-townsmen, I hold the name of the man to whose sacred memory you assemble this evening to pay so well deserved a tribute. Hardly anyone in this generation holding high office in the city's administration did, like Colonel Waring, so thoroughly receive the willing appreciation of the mass of the people, of the dweller in the tenement and the occupant of the mansion, of the laborer, the merchant and the banker.

He accepted an appointment on March 30, 1892, as a member of the Washington Arch Committee, which was tendered him by Richard Watson Gilder, as secretary, and agreed to act as treasurer of the fund.

CHAPTER XI

IN the Jewish prayer book, there is inserted for reading a little treatise usually called "The Ethics of the Fathers," which contains a verse, frequently quoted, to the effect that the world rests upon three pillars: the Torah (which means much more than the Law, really instruction, doctrine); the worship, or public service; and the doing of deeds of kindness, usually called charity. The practice of these three is incumbent upon every Jew. The amount of charity was based on the ancient tithe, originally prescribed to an agricultural people for the maintenance of the priesthood, but later given as a measure of the minimum of charity. Schiff met the tradition, going back for generations, that one tenth of all that one earned was to be given to the needy; this he regarded as his religious duty and he never varied from it. He frequently exceeded it as a matter of humanity—what he and others later came to call philanthropy, or altruistic purposes; but fundamentally he recognized gifts to the poor as a religious duty. In the grace which he regularly recited after meals at his own table, he thanked God for the blessings that had been bestowed upon him and for the privilege of sharing them with those less fortunate.

In a letter to his brother-in-law, Morris Loeb, he suggested as an appropriate inscription for the building of a charitable institution:

For the poor shall never cease out of the land; therefore I command thee, saying: Thou shalt surely open thy hand

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unto thy poor and needy brother, in thy land.—DEUTERONOMY XV, 11.

He went on to say:

I think it is very appropriate, as it is the direct Mosaic injunction to practice charity.

He believed that a man's giving should be done primarily during his lifetime, and that it should have his personal supervision. In September, 1893, for some purpose which cannot be traced, he wrote the following memorandum, which can be taken as an authoritative expression of his opinion at that time:

Many, if not most men of means, acknowledge the duty imposed upon them to permit their fellow beings to benefit to some extent through the larger wealth which a kind Providence has allotted to them. As a rule, those who have acquired wealth through their own exertion will be more ready to carry this duty into practical effect than those whose fortune has come to them through inheritance, nor will the men included in the latter class be found as ready to bestow a part of their wealth for public purposes during their lifetime. It is no sacrifice, and consequently hardly a meritorious action, to dispose of part of one's fortune by testament, for with our death we cease to own and to enjoy the wealth accumulated during life. Charity and philanthropy, to be effective, should have personal supervision, for it is unlikely that others can carry into practical effect our ideas and intentions as well as we can do it ourselves.

The heart being more readily touched than the head, charity abounds, while philanthropy is wanting, and while, as a rule, hospitals and societies for the care of the afflicted are generously supported, many of the most meritorious educational institutions are compelled to vegetate for want

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of public spirit on the part of those upon whose support these institutions have to rely for their very existence.

The surplus wealth we have gained, to some extent, at least, belongs to our fellow beings; we are only the temporary custodians of our fortunes; let us be careful that no just complaint can be made against our stewardship, nor against the refusal to permit others entitled to it to enjoy a tithe of our wealth until the inexorable laws of Nature compel us to leave it behind us.

The extent of his philanthropies, even before he had accumulated the wealth of his later years, is indicated by a statement which Bishop Potter made at the Contemporary Club of St. Louis in January, 1899, that Schiff was regarded as the greatest philanthropist in New York, and that he had done more toward elevating the moral condition of the poor and oppressed than any of the millionaires of the city.

The condition of the poor troubled him, and he never felt that enough was being done for them; thus he wrote to Miss Wald, March 7, 1898:

I am almost afraid to think of the misery which surrounds us here on all sides, but I know you always feel as I do, and perhaps more so, that those whose lot it has become to help their unfortunate fellow beings are more to be envied than those who have a quiet and easy life and know nothing of the misfortune which exists in this world.

He wrote in a letter to a friend after his seventieth birthday:

Nothing it was my privilege to do during my life originated in a desire to earn gratitude, nor do I feel that such has ever been owing to me.

He always insisted that at the institutions which received applications for charity, the applicants must

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not only be helped but must be treated with personal consideration so that their feelings might not be hurt.

He would never do anything indiscriminately—he insisted upon knowing the facts; he made sure that the application was worthy. If it was an individual, he would either try some plan of self-help, or, if the person, by reason of bad health or age, was helpless, place him upon a sort of pension roll, which was kept absolutely private and confidential. If the applicant was an institution of which he did not have personal knowledge, he would make an investigation himself or have such investigation made by others whom he trusted. If the application came from outside the city of New York, he would write to friends in the part of the country in which the applicant was, and accept their report as a basis for his decision. He acted through regularly organized societies in many cases. On May 8, 1889, he wrote to a trusted agent:

I send you herein a list of parties who receive monthly support from me, and as it is some time since I have ascertained their status, I would be obliged if, at your convenience, you will have their continued worthiness to receive support reported to me.

He was well aware of the frauds which are sometimes practiced, as is shown in a letter of January 6, 1898, to Nathaniel S. Rosenau, manager of the United Hebrew Charities:

I make it a rule, wherever letters bear evidence of being written by professional letter writers, to ascertain in what manner such letters have originated, and while, where the reply is unsatisfactory, I decline to act upon the application, I have never been able to get sufficient evidence to take action against any of these professional letter writers. In fact, I have in several instances received abusive replies

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from those who wrote the letters for applicants, stating that this was a free country, and that as letter writing was their profession, they had a right to exercise it without hindrance.

There was another general principle on which he acted: while there were occasions when he was willing to bear the entire cost of a particular piece of work or of a building, he almost invariably took the opposite view with regard to the continued maintenance of institutions. He felt that it was bad for an institution that it should be known that a single individual was disposed to support it—or even a single family—since the time might come when the institution would be in need of larger funds, and the public would not have been trained to support it.

Though undoubtedly Schiff was moved in his deeds of charity by compassion for the poor and a willingness to relieve immediate distress, he never lost sight of the greater importance of helping to put a man on his feet. Thus he took great interest in a law enacted by the State of New York which created a commission to provide work for the blind, and wrote to the governor to suggest names of persons who might help in the work.

Indicative both of the breadth of his interests and his desire to help people who were helping themselves, is a communication of May 4, 1916, that he sent to John Purroy Mitchel, on behalf of the people who kept newspaper stands:

I am receiving a considerable number of appeals from small people who support themselves by keeping newspaper stands. These people ask me whether something cannot be done to alter the conclusion which has apparently



SCHIFF, HIS SON AND GRANDSON
(taken in 1907).

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been reached by the Bureau of Licenses, to rent these stands to the highest bidders. While I do not wish to interfere in what may possibly have become necessary to do in this respect for good and sufficient reasons, may I not ask that it be borne in mind that a large majority of the people who have these newspaper stands are very poor, and that this is likely the only way in which they can support themselves without losing their self-respect. If the step contemplated by the Bureau of Licenses is carried into effect, it will no doubt throw many families, who now have these stands, upon the charity associations.

Before the city of New York had its multifarious social agencies, Schiff took some of their functions upon himself. One marvels that at the time when he was actively engaged in large business enterprises he should have found the time to turn his attention to individual cases of many people who were strangers to him. This work was on all fours with his general theory of helping people to help themselves rather than by the actual giving of funds. He wrote a note by hand and sent it by messenger to Isidor Straus, telling him about a man who had been successful in business in the West and had gone down during a period of commercial depression; he recited the fact that the man had a wife and daughter and wanted to know whether a position could be found for him with R. H. Macy & Co. On January 27, 1888, he wrote to William M. Ivins, suggesting that a certain man on the police force might be deserving of promotion and requesting him to look into the matter. A characteristic request, of September 11, 1896, was in behalf of a girl who wished to conduct a news stand in order to carry on her art studies:

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facilities or come under their care. This purpose Mr. Schiff believed should underlie all charitable effort in aid of individuals or families and it furnishes the keynote to much of his philanthropy.

During the period of unemployment following the panic of 1907, Schiff proposed to Robert De Forest the formation of a good employment exchange, writing on October 1, 1908:

The experiences of the past twelve months have graphically confirmed me in the impression which I have had for some years, that we are sorely in need in this city of an efficient agency, or rather agencies, which will bring together the giver and the seeker of employment. I have in years past at various times aided in the establishment of employment bureaus, but after a while they broke down, mainly because those bureaus were conducted in a half-hearted way, not having experienced, high-grade men at their head.

I think it is high time that the leading people take this in hand, and I wish the Charity Organization Society and the United Hebrew Charities could come together and consider what could and should be done in establishing an efficient employment bureau as an independent permanent organization. I am convinced, if such an organization be established on the proper lines, much undeserved misery could be prevented, and also much of the existing social unrest removed.

This suggestion led to the establishment soon afterward of the National Employment Exchange, the two leading subscribers to the original fund of \$100,000 being Schiff and De Forest. Schiff continued to take an active interest in the work of the institution until 1915, when there arose between himself and the management sharp differences of opinion as to policy.

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That year he began to complain of the attitude of the Exchange in the matter of recommending Jews (and Catholics) to prospective employers. He stated his views in many vigorous letters, but probably best in the accompanying communication to De Forest:

March 27, 1916.

DEAR MR. DE FOREST:

You are, as I believe, cognizant of the differences that have arisen between Mr. Bannard and myself relative to the management of the National Employment Exchange, and know that, in consequence, I have resigned from the board of the society, for the calling into existence of which you and I were primarily responsible. Because of this I feel that I owe it to you and myself to lay before you my motives for the position I felt I had to take, though I presume that you are acquainted with my recent correspondence with Mr. Bannard. You will, no doubt, remember the circumstances and conditions from which resulted the founding of the National Employment Exchange some six or seven years ago, when during an extended period of great business depression and extensive unemployment, the conclusion was reached after an exhaustive study of underlying conditions, that an employment agency should be founded—national in its scope—to endeavor to bring together the giver and the seeker of employment.

In founding the Exchange, it was the basic understanding that it was to be purely a social service society, was to serve all alike without discrimination, neither in favor nor against any class of workers, and the question of a return upon the capital which had to be provided was to be a secondary consideration, if any at all. Almost from the start it became difficult to properly carry into effect the purposes for which the society was founded. It would lead too far were I to set forth here in detail the many trials and disap-

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pointments to which the directors were subjected, and the reasons therefor. Suffice it to state that the Exchange, instead of becoming national in its scope, had to limit itself to a purely local activity. . . .

It appears, however, that even to attain its present condition, the mercantile branch . . . has had, in its management, to resort to practices which in my opinion are most reprehensible, and entirely contrary to the spirit in which the Exchange was founded. Some months ago I was flooded with letters from applicants to the Exchange protesting against the discrimination that was practiced against seekers of employment of the Jewish faith—in some instances, also against Catholics—and also against the discourtesies and indignities these applicants had to submit to from the employees of the Exchange.

In investigating this, I found to my amazement that the situation had scarcely been overstated. I discovered that the forms applicants had to fill out contained a space requiring a statement of the applicant's religion—this in an American social service society!—and that applicants who stated their faith as Jewish were treated with scant courtesy and discouraged from returning for further aid and information. When I brought this to the notice of the directors, the manager did not deny that these conditions existed, but justified them as resulting from the unwillingness of many employers to employ Hebrews, and from the conditions made that such should not be sent. While I was well aware of the existence of this prejudice, and that it was unfortunately widespread, I insisted before the directors—of whom, however, seldom more than two or three were present at the meetings of the board—that as far as the National Employment Exchange was concerned, it could not make itself the handmaid of prejudiced employers; that it must not inquire into the religion of any applicant; that it could not consent to do anything else than to carefully look

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into the qualifications of applicants for any given position; that it should in every instance send to employers men or women whom it believed competent for a vacant position; and that if employers had prejudices, and wished to discriminate, they must decide themselves, in the last instance, whether or not to employ any candidate sent by the Exchange.

To this Mr. Bannard objected from the outset, and finding that I could not prevail upon him to adopt my viewpoint, self-respect forbade me from taking part in the deliberations of the directors . . . and, finally, being informed that my protest against the objectionable practices of the manager had brought forth no change, I decided that I must tender my resignation from the board. . . .

I wish to say, with every emphasis I can give this, that the Exchange is serving in no way the purposes for which it was founded, and that the spirit in its management is **un-American** and should no longer have the acclaim or the support of those who founded the Exchange for the purpose of rendering service to society. If the state or municipality in their employment agencies would adopt a policy such as now prevails in the National Employment Exchange, public opinion would rise in protest and not for a moment permit its continuance. It is my opinion that in view of the circumstances which have come to exist in the Exchange, since it is claimed by Mr. Bannard—perhaps with some justification—that a change of the policy which had been adopted would curtail its usefulness, the society should go into liquidation and out of existence at the first practicable moment. It certainly could not have been and was not the intention or desire of the public-spirited men who founded the National Employment Exchange, and generously furnished it with a reserve fund of \$100,000, that it should simply become a local mercantile employment bureau, which, to secure a semblance of success, finds

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it necessary to cater to . . . race and religious prejudices. Because of this it should be liquidated. As you and I represent the principal ownership in the stock of the society, I earnestly hope that you will join hands with me in bringing this about. If the society be permitted to continue, this can only be done under the strongest, even if silent, protest on my part.

Another method of helping people to help themselves is by furnishing capital in small amounts to those who can not otherwise secure credit except at exorbitant rates of interest. Schiff naturally became interested in the establishment and support of free-loan societies, to which he was a liberal contributor. He was also greatly interested in the Provident Loan Society, the organization of which is thus described by De Forest:

My first acquaintance with Mr. Schiff was in connection with the organization of what is now known as the Provident Loan Society. A special committee of our Charity Organization Society appointed to investigate the expediency of organizing a pawn shop on humanitarian principles had reported in favor of such an organization. The proposal was to start with a capital of \$100,000, preferably in subscriptions of \$5,000 each from twenty people. I joined with Mr. James Speyer, Mr. John S. Kennedy, Mr. J. Pierpont Morgan, and Mr. Seth Low in seeking to raise the desired capital. Each of us had agreed to put in \$5,000. I called on Mr. Schiff at his office to present the matter to him. He received me with his usual courtesy and gave me the opportunity to present the matter briefly. He asked no questions, but immediately said: "I am very much interested in this, Mr. De Forest. I will gladly subscribe \$5,000 myself, and if agreeable to you and your associates will see my partner Mr. Loeb and also my partner Mr. Wolff and ascertain whether they would be willing to do

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the same." On the following morning I received from Mr. Schiff the subscriptions of each of them for \$5,000. In the light of the growth of this institution, which loaned last year over \$34,000,000, its beginning seems pathetically small, but it required some effort and the example of such men as Mr. Schiff to secure the necessary \$100,000 with which to start it. It is not a mere coincidence, therefore, that Mr. Schiff's son should now be president of this important institution, which has thirteen branches in different parts of Greater New York.

The Red Cross was the type of organization which naturally appealed to Schiff's imagination: international in scope, with the sanction of treaties behind it, intended to mitigate the hardships and sufferings of war, gradually becoming a great organization to meet all kinds of emergencies and disasters, the funds gathered and administered without reference to creed, color, or nationality. These were the ideals which largely animated all his philanthropic work, and so it was quite understandable that he was not only a contributor to its resources, but gave a great deal of time to its work, both locally and nationally.

His first official relation to the American Red Cross was with the New York Branch or Chapter of the National Red Cross. Mabel T. Boardman, the secretary of the national organization, writes that after the reorganization of the American Red Cross in 1906, at a meeting at the residence of Mrs. Whitelaw Reid, it was decided to seek a treasurer

who stood for the highest integrity, for representative

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business and personal responsibility, and for broad-minded public spirit and philanthropy. Because he so truly fulfilled all these qualifications, Mr. Schiff was unanimously elected treasurer of the largest Red Cross chapter in the country—a post which he held until 1919, when at his own request he was relieved.

In 1910, he was appointed by the President of the United States a member of the International Relief Board of the American Red Cross. Miss Boardman writes:

His knowledge of international matters and his active interest in the duties of this board made him a most useful member in questions of international relief.

The same year he was elected an incorporator of the American Red Cross, a self-perpetuating board which elects six of the eighteen members of the Red Cross central committee, and he was at the same time made a member of the board of trustees of the Endowment Fund.

With the fidelity that was characteristic of Mr. Schiff [writes Miss Boardman] he gave himself as well as his generous financial aid to Red Cross service. He never failed to attend in Washington or elsewhere all meetings of the board of which he was a member, and proved himself always a wise and practical counselor, as well as a generous and helpful friend. His heart—ever sensitive to human needs—and his spirit—ever ready to relieve human suffering and distress—were an example to all associated with him in these services. To the American Red Cross he was not only a most valued officer, but an inspiration which will continue on through the many years of its future service to mankind.

The organization of the chapter in New York was no

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doubt occasioned by the San Francisco fire, and the amounts involved were very considerable. Thus, in May, 1906, he transmitted \$300,000; in November of the same year he acknowledged the receipt of \$500,000 from Washington.

He participated in matters of far-reaching importance to other nations. Thus, in 1914 and in 1915, after the Huai River floods in China, he gave advice as to the best method of dealing with this great disaster, and of preventing its recurrence.

After the great earthquake in Messina, he gave an account of his stewardship to Governor Charles E. Hughes, on January 20, 1909:

So that you may be kept informed as to the progress of the collections for the Italian sufferers, which pass through the hands of the National Red Cross, I beg to state that as treasurer of the State Branch I have thus far remitted to Washington the sum of \$290,000, and that the total relief fund in Washington now amounts to \$817,000. If to this be added the \$800,000 contributed by Congress on behalf of the nation and a number of remittances which have likely gone through other sources direct to Italy, the American people have probably thus far given in the neighborhood of \$2,000,000.

The following year he was elected a member of the New York State Board, of which Governor Hughes was president, and he was designated as treasurer of the board. In April, 1918, the state boards were discontinued by the Central Committee.

The charter of the American Red Cross is not limited to administration or relief for sufferers of war and disaster; it provides that it devise and carry on measures for preventing the same. The organization found that,

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in small communities, which are often without adequate public health service, there were frequent outbreaks of epidemics, and at such times the Red Cross would be called upon to furnish relief, especially in the form of nursing service. It was thought that the best way to prevent these epidemics would be through public health nurses. Mr. and Mrs. Schiff had, in their connection with the Henry Street Settlement and the District Nursing Service, become greatly interested in the entire subject of public nursing, and in November, 1913, he offered, through the Secretary of the Treasury, to contribute to the Red Cross Endowment Fund securities in the amount of \$100,000, to be held for the Town and Country Nursing Service.

The Montefiore Hospital, formerly known as the Montefiore Home for Chronic Invalids, occupied more of Schiff's time, interest, and devotion than any other single philanthropic institution with which he was connected. On his seventieth birthday, January 10, 1917, he wrote:

It occurs to me, as I enter to-day the Biblical age, that I have probably derived greater satisfaction from the work I have been permitted to do in Montefiore Home than from anything it has been my privilege and good fortune to accomplish in my life.

Sir Moses Montefiore was born on October 28, 1784, in Leghorn, Italy. His long life of good deeds, which had attracted the attention of his own Sovereign, Queen Victoria, had grown in volume as his years advanced, and the spectacle of his completing a century of life, still in reasonable health and vigor, fired the imagination of

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the Jewish people everywhere. In all the large cities of America celebrations were held.

For a number of years the board of directors of the Mt. Sinai Hospital had realized that there was no place in New York for the care of chronic or lingering cases of illness among the Jews, and for diseases like tuberculosis, then considered almost incurable, but now happily among ailments removed from that dreaded category. Beginning on February 4, 1884, a series of conferences was held, looking toward the creation of a memorial in New York, in celebration of the Montefiore Centenary. At this first meeting an earnest plea was made by Adolphus S. Solomons for the establishment of a "home for incurables." Other plans were also suggested—a letter from Schiff advocated the erection of model tenement houses on the East Side; but at the meeting of March 3d, the committee appointed to consider the project, of which Schiff was a member, reported unanimously in favor of a "home for chronic invalids as a most suitable, efficacious, and worthy memorial." Schiff was an active member of the committee appointed to carry out the plan, and the home was opened on a very modest scale in October, the month of the celebration. The beginning of what is now one of the most splendid of hospitals was in a frame house on the corner of Avenue A and 84th Street, rented for \$35 a month provided by a few men. Five patients were admitted the first day.

The first president was Henry S. Allen, who held the office for one year, and was succeeded in 1885 by Schiff. The demands upon the institution grew so rapidly that the small body which was supporting it soon found its means insufficient. The later-day methods of collecting

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funds by dinners and drives and other devices being then unknown, it was proposed to give a great fair or bazaar in the year 1886, and of this effort Schiff was chairman. He conducted the enterprise with his customary energy, and the fair yielded about \$160,000, a sum unprecedented in charitable efforts of that type.

Aside from the proceeds of the fair, it appears that the first considerable fund came through Schiff. Since the donation involved the adoption of a policy which made the institution non-sectarian, the terms in which it was made are given in full. He wrote to the board of directors, October 15, 1888:

Some time ago a certain sum, amounting to about \$30,000, of which I have the right to dispose, came into my hands from the estate of the late Julius Hallgarten. I then decided that this money should be used for some benevolent purpose to perpetuate the name and memory of the late Julius Hallgarten. I have long reflected how this could best be accomplished, and it is only recently that, with the consent and advice of Mr. Charles Hallgarten, the only surviving brother of the late Julius Hallgarten, I have reached a conclusion, which is as follows:

I will pay over the aforementioned \$30,000 to Montefiore Home upon these conditions:

- 1st. That a fund is to be created from it, to which others may contribute hereafter, to be called the "Julius Hallgarten Relief Fund."
- 2d. That interest is to be paid by Montefiore Home at the rate of 5 per cent. p. a. upon the fund and its accumulations.
- 3d. That the income of the fund be used, as may be required, in the judgment and discretion of the board of directors of Montefiore Home, for the purpose of granting relief to families whose bread-

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winners may have become inmates of Montefiore Home.

- 4th. That a suitable tablet be placed in the new building commemorating the name of Julius Hallgarten, *and finally*, acting in accordance with the views of the late Julius Hallgarten, this gift is conditioned upon the adoption of the amendment to the constitution of Montefiore Home by which the institution is to become non-sectarian.

So soon as your board will have signified its acceptance of the trust hereby offered, and immediately after the next annual meeting, when, as I hope and doubt not, the constitution will be amended as above, I will be prepared to pay over to your treasurer the sum of \$30,000.

The Hallgarten Fund, was not a direct bequest from the estate: it really represented Schiff's fees as executor, which he donated and desired to have regarded as a memorial to his friend, to be expended in accordance with the latter's views.

The spirit in which the work of the Hospital was undertaken is indicated in Schiff's words, spoken at the laying of the cornerstone of the new building, located at 138th Street and Eleventh Avenue, on April 8, 1888:

We have listened to the fervent words of prayer invoking the blessings of the Almighty upon our institution, and His special care for the unfortunate ones whom it is to shelter. As chief executive officer of Montefiore Home for Chronic Invalids, it now devolves upon me to lay and cement the stone upon which the structure which we are erecting is destined to rest. Scarcely more than three years ago, Montefiore Home was founded, and now, thanks to the support of a generous public, the day is near when this stately structure you see here rising will be the home of an institution of which we hope the Israelites of the city of

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New York may have reason to be proud. Within these walls a class of sufferers will find relief who have no home and no hope, except that which our institution can give them, and it is this duty we owe our fellow beings which has filled us with the energy to accomplish that which we have already accomplished, and which will give us courage in our future endeavors to ameliorate the hard fate of the many sufferers whom we will be called upon to care for.

Within a few months we expect to move into this building: may God give us health and strength to continue and to increase our beneficent work, so that it may be said of us, as of King Solomon, after he had built the Temple, "He built the house and he completed it." So do we hope to complete what we have begun, not only by erecting a stately structure, but by making it fully serve its purpose. When those who come after us shall again find need for a still larger building and when, in coming decades, the stone we now cement shall be removed, those who read the early history of Montefiore Home in the reports and pamphlets which we are here encasing, may have reason to bless us for the foundation we have laid, for the work which we have done and which we shall leave for those coming after us to continue. In the words of our forefather Jacob, I say then, "May the stone which we here lay become the foundation of a house in which the true Spirit of God, the spirit of charity, dwelleth, a *Shaar Hashomayim*, a peaceful resting place on their road to heaven for those who, forsaken by a cold world, turn to Montefiore Home for shelter in declining health and numbered days. May it become a worthy memorial to the illustrious man whose name the institution bears; may it stand for many years an honor to our race, a blessing to our metropolis.

The building was dedicated December 18, 1888. Soon it too was insufficient; also, it was considered inappro-

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priate for treating the considerable number of tubercular patients in an advanced stage. Accordingly, the Country Sanitarium of Montefiore Home was established at Bedford Hills, and opened on May 30, 1901. This event had such importance in his mind that in a friendly letter to Isidor Straus, then in London, he gave an account of the dedication:

Yesterday the Montefiore Home Country Sanitarium was inaugurated. We had the kind, valuable, and interesting assistance of your good brother Oscar, who made some very happy remarks. There were also addresses by Vice-President Roosevelt, Bishop Potter, and others, and, all in all, the dedication was most successful, especially in the spirit of mutual good will which pervaded the entire occasion.

The Country Sanitarium engaged Schiff's special attention, and he frequently went out to see for himself the work that was being done there. In 1909 he agreed to suggestions made jointly by Cyrus L. Sulzberger, then president of the United Hebrew Charities of New York, and by the Vacant Lot Association, to aid in settling consumptive patients discharged from Bedford Hills and other sanatoria upon small plots near the city, in the hope that a return of the disease would be prevented.

The property at 138th Street had become quite too small, and Schiff took up the suggestion for new quarters with great energy. It was estimated that the new building project would cost \$1,250,000; that \$500,000 would be obtained through the sale of the old property, while the remaining \$750,000 had to be secured by general subscription. Samuel Sachs was named chairman of a building committee to collect funds, and Schiff supported him in every possible way.

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As a result of these efforts, a site was purchased on Gun Hill Road east of Jerome Avenue. It overlooks both the Hudson and Harlem Valleys, and covers about one hundred and twenty-five city lots; and there the present splendidly equipped complex of buildings is located. The policies of the institution have resulted in one of the greatest hospitals in the world, from the point of view not only of the number of people it serves, but also of the scientific research which has been carried on within its walls. And if an institution in which so many people have joined can be said to be the monument of one man, this hospital comes nearer to being Schiff's monument than any other institution with which he was associated.

Several years later he illustrated its rapid growth in his succinct, yet striking way:

At the time of the founding of this institution it contained twenty-six beds, and during the first year of its existence had an annual income of \$7,500. At the present time [1917], this home and hospital contains seven hundred and twenty-five beds, housed in buildings free from indebtedness, to the value of about \$3,000,000, and is being maintained at an annual expense of something like \$400,000.

Before the establishment of the Federation for the Support of Jewish Philanthropic Societies of New York, one of the difficult tasks of the executive officers of most institutions was the securing of funds for maintenance. There was probably no method known to the most modern collecting agency, short of the hectic appeals generated by the war period, which Schiff did not try. He was indefatigable in securing subscriptions himself by direct

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and personal appeal (Montefiore was the only institution for which he would ordinarily make such personal appeals) ; he spurred his fellow directors to similar efforts; he invented all kinds of devices for securing increased subscriptions, based upon similar increases from a certain number of other people. His personal signature was appended to thousands of letters of acknowledgment of even the smallest sums. He never reached the labor-saving plan of assuming that contributions to charity required no acknowledgment, or that the signature of a secretary or a rubber stamp would suffice. These communications were not prepared for him in the office of the Hospital, but were written, and in many cases individually dictated, in his own business office.

Upon one occasion a director of the Hospital thought he would suggest to Schiff a "new" method of soliciting funds, whereupon Schiff told him the story of the beggar who once approached Rothschild and asked for two marks. Rothschild said to the man: "How is it you come to Rothschild and ask for only two marks?" To which the beggar replied indignantly: "*Willst Du mich mein Geschäft lehren?*" (Do you mean to teach me my business?)

Just as he went into the details of the support of the institution, so he followed the medical work. Montefiore rendered distinguished contributions to the progress of science. It was there, for example, that Simon Baruch was enabled to make his practical tests in hydrotherapy. When radium was attracting the attention of physicians by its therapeutic possibilities, and there was difficulty in obtaining it in America, Schiff turned to Cassel. The latter, with Viscount Iveagh, had founded the Radium Institute in England in 1909, and was a prominent par-

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ticipant in other medical projects. A letter to Cassel, of December 8, 1913, reads:

I owe you an apology as well as an explanation for not having replied to your kind letter of October 31st concerning radium. The head physician of the Montefiore Home wishes to acquire 200 milligrams of radium, about which I think I have already informed you, for the treatment of certain cancer cases. Although he has not yet received authorization from the board, he is trying to get all the information he can. That is why I turned to you.

On the occasion of the twenty-fifth anniversary of the establishment of Montefiore, his wife and he presented to the hospital the so-called Silver Jubilee Fund for promoting medical research in the institution. A short time later he arranged, with the medical staff, for a conference with Dr. Simon Flexner, director of the Rockefeller Institute for Medical Research, so that they might decide upon the best use of the fund. He augmented it to \$200,000 on his seventieth birthday, and by his will increased it to half a million. Having in mind, no doubt, the inconvenience which he had suffered from partial deafness, he provided that "such research work shall, in addition to being general research work, include the constant study of and searching for ways and means by which it may become possible to permanently alleviate or cure deafness, excluding, however, mechanical means toward that end." Certain discretionary powers were, however, given to the directors to use the income for other purposes.

His individual attention to the patients was as definite as his interest in the management of the institution. In the summer time he would provide excursions for those who could leave the Hospital, and it was his espe-

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cial pleasure to remember the Hospital and the patients on joyous occasions in his own family. Connected with the Hospital there was a chapel, and to this he came occasionally on the Sabbath. He would read the entire service to those who were able to attend, and would preach a sermon, which in customary fashion was based upon a text taken from the Scripture lesson of the day. When a patient died, he regularly gave personal attention to providing proper burial. The welfare of the patients' families was also a matter of grave concern to him, as has been indicated by his proposed disposition of the income from the Hallgarten estate. It not infrequently happened that the patients were widows, whose children were in orphan asylums. He always took care that at proper intervals the parents should be enabled to see their children. He would write personal letters to the superintendents of the various societies, to arrange for such visits.

It was his frequent custom to send to members of the staff personal letters, wishing them a pleasant vacation and enclosing checks so that they might the better enjoy the vacation. This personal interest extended to the directors who worked with him—put them, as it were, in the place of near friends. He took note of every event in their families, whether of joy or of sorrow.

On the occasion of a very severe snowstorm only three directors of the thirty were able to reach the Hospital, which was then rather out of the beaten ways of travel. Of these three, Schiff was one, and the first one to arrive. The board met regularly every Sunday morning at the institution, except during the summer, when the meetings took place on alternate Thursday

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afternoons at Schiff's office. He was never absent from any of the meetings, and every detail connected with the welfare of the institution was always in his mind. He would first take up the applications for admission. Before any candidate could be considered he would ascertain whether in the opinion of the medical authorities the patient would be benefited. He rendered the decisions in writing. With equal care he would decide upon the time for the discharge of a patient.

No one connected with the institution knew better Schiff's relation to it than Dr. Siegfried Wachsmann, its medical director for many years, who gave this contemporary picture of Schiff's services: ¹

The size of Mr. Schiff's donations to the Home, though amounting to a very high aggregate, is not the essential part of his long reign over the Home, but his personal service has led the institution from very small beginnings to a stage of development which has made it the largest private institution in the country, at present caring for over seven hundred patients. . . . His work for the Home is best characterized by the words efficiency, justice, and kindness. As president of the board of directors, he has organized a system of committees and sub-committees which have stood the test for a generation. Efficiency is an indispensable quality, without which no director can last on the Montefiore Home board. The President's judgment in distributing the various offices is practically infallible. Finances, house matters, medical affairs, purchases, and many other functions are invariably entrusted to the right hands. Conscientiously the committees attend to their various problems; nothing is too small to receive attention. Reports are rendered, and finally concerted action is taken under the leadership of the tried president, in whom the

¹ *The American Hebrew*, January 5, 1917.

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directors have unbounded confidence. This leadership, however, is as remote from a dictatorial or tyrannical attitude as true democracy is from absolutism.

Few laymen have as clear an insight into medical matters as Mr. Schiff, and his dealings with the Medical Board have always been based on a complete understanding. The perfect understanding and the mutual respect of the two boards without doubt are principally due to the pre-eminent sagacity exercised by Mr. Schiff in weighing and supporting all progressive suggestions which come from the medical staff, and allowing it a full measure of autonomy as far as is compatible with the business-like administration of the institution.

As to justice guiding every one of Mr. Schiff's actions in connection with Montefiore Home and Hospital, let it be stated that in admitting patients to the institution preference is given to those who have nobody to speak for them; and so-called influence is often more harmful than helpful to applicants. The principle of justice is also upheld by Mr. Schiff in regard to all employees and officials of the institution. Any complaints regarding unfair treatment or undeserved discharge will be investigated by him and mistakes rectified. Anybody wrongfully accused will find his best defender in Mr. Schiff. At the same time, anonymous slanderers and maligners will find it utterly useless to approach him, and will find that he is no more rash in placing confidence in people than he will be apt to lose it on account of insinuations and criticisms that cannot be substantiated by facts. That he prefers to form his own opinions is particularly evident on his frequent rounds of inspection through the entire institution, where he has a habit of gently but very decidedly refusing any offers on the part of an official or employee to accompany him.

The last but not least characteristic feature of Mr. Schiff

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in his relation to the Home is an indescribable kindness with which he meets everybody, young and old. After he has gone through the wards, the patients appear to be more radiant than before, as though reflecting the sunshine that has beamed upon them from his kindly eyes. This general effect, which he constantly exerts by his mere presence and appearance, seems to be more important, and is even a greater blessing to the inmates than his countless single acts of personal attention or gifts to individual patients, whether it be a watch for a poor paralyzed boy on his Bar Mitzvah, or upon similar occasions, which in some way or other regularly come to his knowledge.

The sick and disabled had always a particular appeal to him, and he showed his interest in many ways and made considerable gifts. Of the Mt. Sinai Hospital, in New York, he was at an early period a director, and in May, 1884, he awarded the diplomas at the second graduation of nurses from its Training School. He resigned from the board shortly afterward, so that he might devote himself more largely to the new Montefiore institution.

He always took the view, generally adopted by the Jews of Western Europe and America, that separatism on the part of the Jew was proper only in matters relating to their faith and the observance of the ceremonies connected therewith. Judaism is a religion which places good works, charity, as one of its cardinal principles, and hence the establishment of Jewish philanthropic institutions was to him part of his religious duty. But he equally recognized that charity forms a part of Christianity, and wherever possible he favored

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coöperation without the destruction of the identity of the participating institutions. As early as 1887, he was a member of the executive committee of the Hospital Saturday and Sunday Association, and we find him urging upon the rabbis of New York at that time the support of an appeal for the work of this Association.

In 1892, he offered to build a cottage for the use of tubercular patients at Saranac Lake, leaving it entirely to the judgment of Dr. E. L. Trudeau, who conducted the distinguished sanatorium there, to decide the nature and cost of the cottage. Nearly twenty years later he wrote:

I am pleased to know of the good being done in the cottage which it was my privilege, a number of years ago, to give to the sanatorium. It is much of a satisfaction, my dear Doctor Trudeau, to coöperate with you and give you some encouragement, at least, in the pioneer work which you have done, and which has been as a beacon light for others to follow.

An expression of concrete interest in human suffering is found in a letter to Samuel Rea, expressing the hope that the noise of the engines could be moderated, so that the nervous patients at the Watkins Sanatorium should not have their "night's rest broken up."

In 1893, through Mrs. Minnie D. Louis, Schiff had made the acquaintance of Lillian D. Wald—an acquaintance which ripened into friendship and great mutual sympathy. The introduction gave Miss Wald an opportunity to interest him in a project then but dimly developed, in which her friend Mary M. Brewster joined her, namely, the desire to live in the lower East Side and

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give their services as trained nurses to the community.¹ On May 9, 1893, he wrote to Charles Frank, superintendent of the United Hebrew Charities, that the project would have the moral support of the Board of Health, and that Miss Wald would like to be in position, in case of necessity, to fall back upon the physicians of the United Hebrew Charities for professional aid.

About a week later, writing to Mrs. Louis, Schiff said that he had decided to become responsible for the salary of a nurse and that Mrs. Loeb, his mother-in-law, had likewise decided to accept such responsibility. In July he expressed his pleasure that Miss Wald and Miss Brewster had begun their work. Speaking for himself as well as Mrs. Loeb, he added the wish not to have their names known in the matter.

The two pioneer nurses lived on the top floor of a tenement house until the autumn of 1894, when the need of a more permanent base became evident to Schiff. He wrote to Miss Brewster on November 27, 1894:

I am now looking for a suitable house either in Henry or Madison Street, which appears, under the advice of Miss Wald, to be the location where the proposed house should preferentially be located, and it is my intention, as soon as the proper house can be found, to carry out the plan as discussed between Miss Wald and myself, the details of which the latter has no doubt reported to you in full.

Nothing would give me greater pleasure than if you find yourself in a position to give the great cause in which you and Miss Wald labor your continued coöperation, and I very much appreciate the promise contained

¹ See *The House on Henry Street*, by Lillian D. Wald, and the *Report of the Henry Street Settlement 1893-1913*, published by the Settlement on its twentieth anniversary.

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in your to-day's note that you intend to make an effort to remain associated with Miss Wald. Rest assured that this is a great encouragement to me, personally.

As the work grew more extensive, the question of incorporation arose. In June, 1902, Schiff gave his views on this matter, writing to Miss Wald:

Your idea that the Nurses' Settlement be incorporated has a good deal in its favor, but also something against it. The reasons, in my opinion, against it consist mostly in the possibility that, to some extent, incorporation will place the Nurses' Settlement, in the eyes of many, upon the basis of a regular society—of which, unfortunately, there are already too many—and the interest of some, at least, in the Settlement, its work, and its influence may be lost, or at least diminished. It is, moreover, in my opinion, not at all unlikely that some of the earnest young ladies who now come to the Settlement, to work in it and with it, are to some extent attracted to it "just because it is a family," and that a society, even if this feature be kept in the background, would be less of an attraction to many a young woman who would otherwise like to engage in the great work which unites you and the other members "of the family."

However, all I want to do is to express my own impressions with entire frankness, and I shall be entirely satisfied with whatever conclusions you reach yourself, and to aid you in carrying these into effect. I would further advise you (and this you will no doubt do anyhow) to discuss your plans fully with Mr. John Crosby Brown, a better and truer adviser than whom you cannot get.

His letters to Miss Wald covering details of the nurses' work are too numerous to record. The interest was with him when he travelled abroad, as a letter to Miss Wald from London in May, 1913, shows:

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Mrs. Schiff and I have read with much interest your thoughtful letter of the 9th instant, with report of the work done by the nurses of the Henry Street Settlement during the past year. It is indeed a great achievement which you and your associates have accomplished during the twenty years' existence of the Settlement. When we recall the small beginnings in Jefferson Street, and the magnificent complex of settlements which now spreads all over the city, we cannot but admire your great organizing talent and the unselfishness with which you and your associates have given yourselves to this great work, and we are grateful for the opportunities you made for us to co-operate in a moderate manner. All we can do is to pray and hope that the strength will be vouchsafed you to continue for many years in your beneficial work, and to wish you and your co-workers Godspeed.

He delivered an address at the twentieth anniversary celebration, on January 31, 1914. In 1915 he undertook to get together a group of people who might be willing to aid in the support of the Nurses' Service for the city.

In 1917, he approached Mayor Mitchel on behalf of the Visiting Nurses' Service, and in his letter gave a succinct account of the labors of this institution, which shows its remarkable extension over a period of a quarter of a century:

The Visiting Nursing Service of the Henry Street Settlement, of which Miss Lillian D. Wald is the moving spirit and head worker, expends between \$125,000 and \$150,000 a year in home nursing among the less fortunate class of our population, many of whom otherwise would presumably become public charges. It has fourteen district offices and the service covers Manhattan and the Bronx. It is supported to a very large extent by voluntary contributions, which, however, do not suffice to cover its entire

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budget, which of recent years has closed with a deficit of from \$10,000 to \$13,000. There is a constantly increasing demand for the nurses on part of patients, doctors, and charitable agencies for home care.

The nursing service of the Settlement is carried on by a large staff of nurses varying somewhat, but during last winter averaging 132. The patients under care last year numbered 29,105, considerably in excess of the aggregate of patients treated annually by Presbyterian, St. Luke's, and Mt. Sinai Hospitals together.

My associates on the board and I respectfully submit to you that the Henry Street Settlement actually does work which is as important as that done by hospitals and that the city ought to assume at least part of the responsibility for it. We feel that the Settlement should receive an allowance from the municipal treasury, proportionate to its work, and urge that you and the Comptroller have this work and its results carefully examined with a view of procuring for it the support of the municipality.

He wrote, on October 22d, of his "great delight" that the Board of Estimate had put the Settlement upon the new budget for a contribution, from the municipal treasury, of \$25,000 for the nursing work. This, he said was a great triumph, not only because the money was needed, but for the official "recognition of the work of the Settlement and its capable workers."

He approached John D. Rockefeller, Jr., on behalf of a campaign to secure the sum of \$1,000,000 for the nurses' work:

March 3, 1920.

DEAR MR. ROCKEFELLER:

While, for obvious reasons, I am writing you this hesitatingly, I feel that I need to say something to you of the campaign which is presently to be undertaken to secure the

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sum of \$1,000,000, so as to put the nursing work of the Henry Street Settlement into better and more secure shape. I have no doubt you know something already of this splendid, far-reaching work under the guidance of Miss Lillian D. Wald.

The recent epidemic of influenza and pneumonia again furnished evidence of the dependence of New York City upon the Visiting Nursing Service administered by the Henry Street Settlement. Dr. Copeland states that not more than 4 per cent. of the reported influenza cases were cared for by the hospitals, and the remainder had to be treated in their homes. The greatest burden for the home nursing care in the boroughs of Manhattan, Bronx, and Richmond fell on the Visiting Nursing Service of the Henry Street Settlement, operating from its fourteen centers distributed throughout these boroughs. From January 24th to February 18th more than 12,000 cases were reported to the service for care, and 30,555 visits were made.

In times of normal health conditions, only 10 per cent. of the sick go to the hospitals. The remaining 90 per cent. must be treated in their homes, and in one year this great service provided bedside care for 43,946. This is a larger number of patients than the aggregate sum cared for by four of the largest hospitals of the city for the same period of time. The cost of this Nursing Service for the past year was about \$220,000. It is partially self-sustaining—about 40 per cent.—and fills a need for that class of our population neither rich nor poor, as well as for the very poor. The remainder of the cost of the service is provided by income from a small endowment and voluntary contributions. . . . It has become a city institution of the first importance, and is of national consequence because of the advantage that is taken of New York's vast clinical material to help train nurses, graduate and undergraduate, for this vital work in communities throughout our own coun-

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try and abroad. Additional income is imperatively needed both for the maintenance and the extension of the work.

You no doubt know how difficult the task is at this time to raise even what is comparatively a small amount, and unless we can succeed in interesting some who will give larger amounts, we shall fail in our efforts, which would be almost a calamity, as this would necessitate not only a halting, but even a cutting down of this Nursing Service which, as you may be aware, has become city-wide.

If you wish to have any further details and will so inform me, I shall be greatly pleased to procure them for you, and if you would like me to visit you personally, before reaching any conclusion, I shall hold myself at your disposal at your own convenience, but I very much hope that you can see your way to do something substantial for the maintenance and extension of this wonderful work.

Believe me, dear Mr. Rockefeller, with assurances of esteem,

Yours most faithfully,

JACOB H. SCHIFF.

On March 13th, he acknowledged to Rockefeller with gratitude the information that the Laura Spelman Rockefeller Memorial would contribute toward this fund.

Speaking of the Henry Street Settlement as a whole and not simply of the Nurses' Service, it would appear that while Schiff was a good friend of the Settlement, his great contribution to it was not in money and that its maintenance was shared by all classes and faiths. What the people of the Settlement most valued was the personal interest that he took in its work. Miss Wald states that in all her experience, whenever she wanted to talk with Schiff about the Settlement or its

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affiliated work, he never said he was too busy. The most notable single instance of his attention is perhaps one which she recalls from 1901. It was the afternoon of May 9th, the day of the Northern Pacific corner: she had been reading the newspapers, and was therefore quite surprised when Schiff telephoned her, and said: "I think this is the night Mrs. Schiff and I were coming down to take dinner. Is the hour six or half-past six?"

He frequently went to the house, ate his dinner with whoever happened to be there, and sat in discussions with the men and women about the table. It was there that he came in contact with the laboring man and the immigrant, and obtained their point of view. Miss Wald describes a particular occasion when Schiff was having a discussion with a Jewish tailor about a strike. The discussion ended by his putting his arm on the tailor's shoulder and their exchanging Hebrew quotations which obviously placed them upon a footing of equality and cordiality. He was always willing to give and take in an argument, and never assumed airs of superiority or patronage.

No person who belonged to any of the clubs or circles which met at the Settlement and who made Schiff's acquaintance in this way, ever used the acquaintance for asking any favors of him. But other people in the neighborhood were not always so considerate, and Schiff's presence sometimes brought visitors who hoped to benefit by it. One evening a woman came and said she wanted to see Miss Wald and be introduced to Mr. Schiff. One of Miss Wald's associates said that Miss Wald was busy. The woman insisted that her business was purely private. On being assured that she could not see him unless the nature of her business was stated, she

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said: "I am the wife of a barber, and I have a daughter eleven years old. I wanted to ask Mr. Schiff whether he would buy my daughter a piano." She was asked: "Has your daughter shown any particular musical talent or interest?" The woman replied: "How should I know, if she hasn't a piano?" The woman was told that Mr. Schiff could not be asked to give her daughter a piano on that basis. She went away, apparently somewhat dissatisfied, and in about ten minutes returned, saying that her husband, the barber, had had a great deal of trouble with his false teeth and needed a new set; could Mr. Schiff buy them for him?

A reflection of his state of mind after a visit to the Settlement is shown in a letter which he wrote on June 9, 1910:

DEAR MISS WALD:

What gave me—and I find Mrs. Schiff feels in this as I do—most satisfaction on Saturday evening was the conviction we received of the impress your life work has made upon your neighbors and the many others who have become directly and perhaps even more so indirectly its beneficiaries. This showed itself in so many respects; in the individual interest of every participant in the pageant, in the orderly enthusiasm of the crowd, in the intelligence with which every one attended to the part assigned to him or her, in the warm-hearted tributes paid to you, and perhaps last but not least, in the pride those of your uptown friends took—including ourselves—that they had the opportunity to take part in the celebration and in the triumph—if such it may be called—of the work and methods of the Henry Street Settlement. "God bless you and hold you in His keeping!"

The enclosed holiday gift may be appropriated in such manner as you may yourself deem best.

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With Mrs. Schiff's and my own loving greetings to you and the entire Henry Street Family, I am

Always sincerely yours,

JACOB H. SCHIFF.

At the time of Schiff's death, Miss Wald gave to the *Survey* her own account of their relations, which forms a valuable picture:

More than a quarter of a century has passed since a mutual friend provided the opportunity for me to meet Mr. Schiff, to pour into his understanding ears the despair that an inexperienced girl felt at her first acquaintance with the social condition of people living in the crowded East Side of Manhattan. Immediately did this busy banker respond to the troubled visitor, and thereby started a fellowship in friendship and social interest that for all the years that have followed never failed on his part. Money help was given and without conditions, which made possible those beginnings out of which grew the Henry Street Settlement and its Public Health Nursing programmes and many other measures of public character. What was perhaps more valuable than even the material aid was the support of measures of vital importance to the people about us but often strange and remote from the experience, the interest, and the traditions of Mr. Schiff and his associates. . . .

His sense of justice offended repeatedly brought forth a gallant fighter for the oppressed, and his reverence for the sanctities of others was as marked. Devout and steadfast in his own faith, he could give generously to a visiting committee of women from Cuba who petitioned for the restoration of a Catholic shrine; and no interests of his business world were ever allowed to supplant his spiritual or altruistic interests. He cherished intensely the preservation of the high principles upon which our America has

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been built, and particularly the right of asylum for the oppressed. In our contact with the many nations of the world, Mr. Schiff saw not peril to America but obligation and responsibility, and he gave evidence of this in his support in money and in encouragement of our endless variety of projects for help and education. In not a few he was a pioneer.

Loving sorrow for the friend who has gone dims the eye and floods the heart, but the outlines of a truly great citizen are clear. He loved his fellow men, and his keen mind was never obscured by his emotions. He gave both heart and intellect to what, I am sure, were the greater interests of his life. The history of measures and movements for social betterment in America will be found in the record of Mr. Schiff's life.

The United Hebrew Charities, a union of many of the relief-giving Jewish societies, had his considerable support, and greatly engaged his attention for many years. At least as early as 1880, his contribution headed the annual list, and the newspapers were speaking of his "usual munificence."

He followed the work with great care, and was deeply disturbed if sufficient consideration was not shown the applicants for aid.

When his old friend, Henry Rice, retired from the presidency of the organization in November, 1908, he gave a bird's-eye view of the progress which had been made by the society under Rice's administration, and incidentally spoke of the chaos which existed in the "early seventies," (before the foundation of the Charities in 1874). In an address to the annual meeting on

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October 29, 1914, when the society was forty years old, he referred to the organization meeting, and added: "Perhaps, though I am not certain, I am one of the very few who are here to-night who were present."

He used to contribute to special funds of the society, such as that for coal, and various emergencies. He was especially interested in the creation of a self-support fund. He started it about 1899, requesting that his name should not be connected with it, but that it should simply be known as "The Special Fund for Making People Self-Supporting." In 1904, being informed that the fund had been exhausted, he replenished it, as he did again in 1906. Later the contributions were enlarged. In 1910, he wrote when sending a check: "When this is exhausted further installments may be called for, irrespective of whether I am here or not."

The problem of helping people to find employment seems to have concerned him especially for the Jewish population, and on March 20, 1905, he made a suggestion looking to some methodical efforts on the part of the Charities for the establishment of an employment agency.

The Hebrew Free Loan Society, representing a form of Jewish charity which goes back to ancient times, was one in which he was greatly interested. Thus, he wrote February, 1897, that he was going to Europe to be absent about six weeks, adding:

I want to see whether it is not possible for me to make an arrangement with the Hebrew Free Loan Society by which it would be enabled to extend the benefit of its loans to a larger number of people, if I consent to bear one quarter or one half of each loan made by the Society.

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In 1898, when he could not attend, as he customarily did, the annual meeting of this Society, he wrote:

I am, as you are aware, deeply interested in the labor of love done by your association, and its success. Indeed, I feel assured that . . . the association is one of the most important societies in the community, accomplishing as it does, through its work, the maintenance of the dignity and self-respect of those whom it benefits, by enabling them to become or remain self-supporting instead of becoming subjects for charitable relief. This is, indeed, philanthropy, which blesses both the dispenser and the recipient.

His annual addresses before the Society became almost a feature of the meetings, although he was not officially connected with it.

He was likewise not an officer of the Hebrew Orphan Asylum, yet he regularly and constantly supported its work. In 1891, he established a scholarship there, "to be given to a boy who, upon leaving, is desirous of taking up the study of some profession which is not commercial in character," adding that preference was to be given to a boy who chose an artistic or scientific career.

He was for many years devoted to the project of a sanitarium to which children might turn for at least occasional relief from the city's congestion. After several years of discussion and informal excursions, to which Schiff contributed, he supplied the real impetus toward a permanent establishment by a special gift toward a building fund. One newspaper expressed the fear that the community had become so accustomed to his generosity that his latest example might not awaken the enthusiasm it deserved, and pointed out that it required "not only great wealth, but greater goodness of heart, to give at one time, for one institution, a sum so

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large." The building was erected in 1890 at Rockaway Beach.

The Home for Aged and Infirm Hebrews, the Hebrew Infant Asylum, the Downtown Sabbath School, the Hebrew Technical School for Girls, the Emanu-El Sisterhood of Personal Service, the Hebrew Sheltering Guardian Society, the Hebrew Educational Alliance, and the Central Jewish Institute are but a few of the organizations in which he took an interest and to which he contributed.

At first he thought that no special organizations were required for Jewish prisoners, of whom he had said proudly in 1887 that "there are not many." But ten years later he is found supporting a Jewish Prisoners' Aid Association, adding: "I fear the time has come when we shall be compelled to form a reformatory for children, under Jewish influence."

On March 31, 1902, he wrote on this subject to Mayor Low:

For a considerable number of years, the Hebrews of this city have had under consideration the advisability of incorporating a society for the care of vagrant and delinquent children of Jewish parentage, for whom no other provision exists at present, except the Juvenile Asylum, the House of Refuge, and some reformatories. Though the question of incorporating and starting a Jewish protectorary has frequently been discussed, positive action has again and again been postponed, because of the unwillingness on the part of the Hebrews of this city to recognize and acknowledge that there existed a large number of vagrant and delinquent Jewish children, for whom the care of a protectorary was necessary. With the growth of the Jewish

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population in this city, by reason of the large immigration of late years, the question has now become a burning one, upon which we feel prompt action to be necessary, and we have, therefore, gone before the Legislature at its recent session and asked for the enactment of appropriate legislation, which has found expression in the Senate Bill No. 617 now before you.

I am informed that in the Juvenile Asylum alone there are at this time something like 220 children of the Jewish faith who, practically, are without the religious instruction of the faith in which they have been born and have been brought up—or rather ought to have been brought up. As it is, they have to accept religious doctrines which are foreign to them, and this is likely rather to make hypocrites of these Jewish children, than to prepare them for good citizenship. Thus we feel that a duty toward these children, and at the same time toward the state, is forced upon us, which, indeed, we do not seek, but which, nevertheless, we have no right longer to shirk. No new burdens are placed upon the taxpayers because of the provisions of Senate Bill No. 617, for the children who will come under the care of the proposed Jewish protectory would, in any event, have to be cared for by the city in other institutions, if the Jewish protectory should not be called into existence. For these and other good reasons, which, no doubt, will be placed before you, I trust that you will conclude to approve of the bill.

On April 7th of the same year he addressed Governor Odell, asking him to sign the act incorporating the Jewish Protectory and Aid Society. Of this organization his son, Mortimer L. Schiff, became president.

As the Jewish communities in America grew in size, the need for support and management of the numerous

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organizations in the large cities, upon an economical basis and without overlapping, whether in collection of funds or in administration, brought about the organization in various cities of federations which acted as central collection agencies and to a certain extent as clearing houses for charitable work, although the autonomy of existing institutions was not interfered with. New York, by reason of its very size and the large number of its societies, found it more difficult to effect such an affiliation.

On December 7, 1903, Schiff wrote to Louis Gans, who was closely associated with him in the direction of Montefiore Home:

I feel that sooner or later, probably soon, we shall have to come to a federation of charities, in order to bring out the full support of the community for all of the institutions.

The proposal had been made earlier, but had failed because of opposition from some of the older institutions. Active discussion of the question went on in the community for some time, and in an article which he sent to the editor of *Jewish Charity*,¹ he unreservedly gave his support to the proposal. He opposed amalgamation of the existing institutions, and wrote:

This, in my opinion, should be limited to federation of the finances of the different institutions. . . . Each institution should maintain its own individuality in every respect, except that it might be desirable to consolidate gradually the management of some of the institutions which do the child-work of the community.

¹ The article appeared in that journal for January, 1904 (Vol. III, No. 4, p. 81-82).

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He wrote to Isidor Straus, who was then in Paris, on March 28, 1907: "I am afraid that federation for the time being is coming to a standstill."

Finally, however, all obstacles were removed, and Federation was formed in 1916. While, because of his advancing years, he did not serve it in any official capacity, he took a very keen and active interest in its administration, and was the largest contributor to its funds.

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